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Inflation Prospects and Investment Policy

Mathematical Odds Held Against High-Level Inflation Over Next Five-Seven Years But Warns Investors Not To Act On This Premise

Says Present Level of Stock Prices Not Too High For Purpose—Policy Advocated Calls For Exclusion of Bank Stocks and Public Utility and Railroad Shares

By BENJAMIN GRAHAM

What I shall have to say will probably supplement rather than underscore Professor Wright's very informing address. Here and there our thoughts will intersect and may even seem to clash—but such conflict will be more in appearance than in reality.

Mr. Rotnem mentioned my modest connection with the Treasury Department. I must point out, of course, that everything I have to offer is entirely unofficial. However, not as a Treasury Department representative, but as an analyst of securities, I would like to say a word with respect to the relation of our government bonds to inflation, since that is a subject on which Prof. Wright has touched.

Benjamin Graham

In the first place, I agree with him entirely that inflation

EDITOR'S NOTE—This paper was delivered by Benjamin Graham in the form of an address at a meeting of the Association of Customers' Brokers in New York City on Nov. 23, presided over by Ralph A. Rotnem. Biographical material regarding Mr. Graham and explanatory comment concerning his references in the paper to Professor Wright and the latter's address will be found at the conclusion of the article.

(Continued on page 2217)

NASD Profit Limitation Decree Violates Maxim "United We Stand, Divided We Fall"

J. A. White, of J. A. White & Co., Cincinnati, Admonishes Those In Securities Business Not To Adopt Mistaken View That They Are Helping Themselves By Advocating Or Condoning Policies That Are Destructive To Another Segment Of Their Industry

Editor, Commercial & Financial Chronicle:

I have noticed your various editorial and news comments about the recent action of the NASD regarding a profit limitation, and the purported desire of the SEC for establishing a profit limitation in one form or another. Although, perhaps, not directly affected by either of such news, I have endeavored to consider the entire picture presented by these developments, and many thoughts come to mind.

In the first place, it seems obvious that there is a considerable division in the ranks of the securities business over this entire project by the NASD and the SEC. Accusations are constantly heard that the stock exchange houses are endeavoring to increase exchange trading at the expense of the

(Continued on page 2220)

Suggestion For Organization For Post-War International Finance

With Special Reference To Matters Pertaining To Rehabilitation Of Economies Of Other Nations After War

By JAMES A. HOWE

Whatever internationally owned organization or organizations, if any, for the clearing and extension of foreign credits may be brought into being after the war, it seems probable that special domestic organization for foreign finance will also be desirable, because of the unusual conditions that will then exist.

The post-war foreign demand for many of our goods will be great. Unfortunately, the goods which will enjoy the strongest demand will be foods, other consumers goods, and raw materials and semi-manufactured goods to replenish depleted working inventories abroad, and to make consumers goods to be consumed abroad—goods which will not directly create exchange which foreigners may use to pay us. It will not be easy for Europe to find the means of buying all that it would like to buy. The pressure upon us to grant credits will, therefore, be intense.

James A. Howe

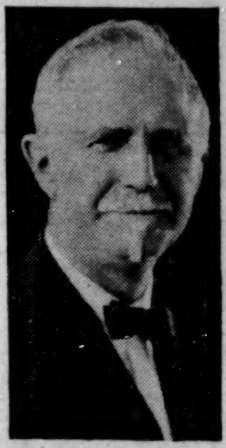
Experience has shown that short credits due from importing countries may appear to be self-liquidating, but not be self-liquidating in fact, if the importing country owes far more on short account than its liquid re-

(Continued on page 2224)

What About Gold?

Roger W. Babson Says Production Figures May Mean Gold Stocks A Buy

Currency stability will be most essential to a maintenance of trade and revival of business activity in the post-war period. Capital naturally gravitates to the countries which give it the best reception and which hold out the most return for its use. If the United States, Britain, Russia and China are to function as well together in peace as they have in war, they must all be anchored to a stable currency. This would enable these countries to encourage, rather than to discourage, the employment of capital.


Roger W. Babson

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A Plea For A Free Economy And A Limited Supply Of Money

Editor, The Commercial & Financial Chronicle:

In your Oct. 21 issue, Dr. Benjamin M. Anderson, under the title, "What Can the Government Do to Promote Post-War Reemployment?" presents a thought-provoking analysis of some of the operations in a free economy; in fact, it would be hard to find a better comparison between certain processes of a free economy and their equivalents in a totalitarian state. When we have said this, it still holds that there is unlimited confusion in the science (save the mark) of economics, which seems to be at a stage of development comparable with the science of medicine when barbers practiced surgery as a side line, with blood-letting as their chief operation.

E. S. Pillsbury

Dr. Anderson puts great emphasis upon the necessity for prices that tell the truth, that is, reflect the supply and demand relationship. He says:

> "The great obstacle to Governmental economic planning in a democracy in peacetime is that the wisdom does not exist, and I may add that the power does not exist, to know what 130 million people want and what they will pay for, and to have it produced for them. It has got to be a piecemeal job, with particular men, in particular industries, studying their particular markets."

I would not know where to look for a stronger plea for a free economy than Dr. Anderson's, as follows:

> "Wages are part of the price system and a tremendously important part of the price system (elsewhere he says much over 70%). Unless they tell the truth about the supply and de-

(Continued on page 2222)

Treasury Renews Request For $10.5 Billion In New Taxes

The Senate Finance Committee on Nov. 29 began consideration of the $2,140,000,000 House-approved tax measure when Treasury officials appeared before the group to renew proposals for $10,500,000,000 in additional revenue. The Senate Committee is expected to reject the Treasury's recommendations, calling for sharp rises in income and excise rates and to enact a bill similar to the one passed by the House Ways and Means Committee.

The legislation approved by the House on Nov. 24 by a standing vote of 200 to 27 imposes virtually no additional burdens on individual incomes and corporation normal taxes and surtaxes, deriving most of the revenue from higher postal rates, boosted excises on so-called luxuries and an increase in the corporation wartime excess profit levies.

The bill's revenue is estimated to be made up as follows: $154,800,000 from the individual income taxpayers; $616,000,000 from the corporation excess profits rate, $1,201,700,000 from boosted excises on so-called luxuries, including a rise in the liquor tax from $6 to $9 a gallon; and $166,800,000 by increased postal rates on some classes of mail. The alcoholic beverage excise increases account for $458,000,000.

In renewing his original request for $10,500,000,000 in new revenue, Secretary of the Treasury Morgenthau told the Senate Finance Committee that much higher taxes could be paid now and that this amount is needed to help combat serious inflationary dangers during the war and in the post-war period.

The Treasury program calls for $6,500,000,000 in additional individual income; increased corporation taxes to raise $1,100,000,000 more; higher estate and gift tax rates to yield $400,000,000, and increased and new excise tax rates amounting to $2,500,000,000.

(Continued on page 2226)

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Meetings Sponsored By Edw. Jones Co. Attract Large Attendance

ST. LOUIS, MO.—W. Truslow Hyde, specialist in power and light company securities, was speaker at the second of a series of meetings here sponsored by Edward D. Jones & Co., members of the New York and St. Louis Stock Exchanges. Mr. Hyde, who is associated with the New York Stock Exchange firm of Josephthal & Co., discussed the "Outlook for Power and Light Securities." Over seventy-five bankers, brokers and utility specialists from Missouri, Arkansas and Illinois were present at the meeting.

The first meeting was on "Railroad Securities," with Patrick B. McGinnis of Pflugfelder, Bampton & Rust of New York, the speaker. The third will be held in about 30 days and will feature "Municipal Securities;" the speaker will be announced later.

Rise In White-Collar Wages Not Inflationary, Says Clark Of S. E. Firms

John L. Clark, President of the Association of Stock Exchange Firms, expressed the opinion on Nov. 17 that increases in salaries of white-collar workers would not be inflationary, but a return to a "normal" level in salaries. Mr. Clark, of Abbot, Proctor & Paine, New York, made the statement according to the Associated Press in Richmond, Va., where he had gone to preside over the first meeting of the association's new Board of Governors.

Mr. Clark stated:

"We believe that regulations of the 1942 wage-stabilization act should be adjusted, so that there is more equality in the wage increases of white-collar workers and unionized workers."

The reelection of Mr. Clark as head of the Association was referred to in our issue of Nov. 25, page 2125.

Chemical Bank & Trust Situation Interesting

The current situation in Chemical Bank and Trust Company offers interesting possibilities according to a bulletin issued by Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this bulletin may be obtained from Laird, Bissell & Meeds upon request.

Long Island Lighting Co. Situation Attractve

The 6% and 7% preferred stock of Long Island Lighting Company offers an attractive situation according to a memorandum prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other principal exchanges. Copies of this interesting memorandum may be obtained from the firm upon request.

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Organized Efforts To Upset NASD Profit Limitation Decree Inevitable

Since neither the Board of Governors nor the SEC has shown any inclination to rescind the NASD's obnoxious profit limitation decree, the ire of dealers has been aroused to the point where organized opposition has now definitely developed. The New York Security Dealers Association intends taking appropriate action in the matter and the Security Traders Association of New York at their Annual Meeting today will undoubtedly cast the die which will result in their doing likewise as it is a foregone conclusion that the vast majority of their members will indicate their utter disapproval of the profit limitation measure when they vote on the subject in accordance with prepared plans.

In addition to this, one group of dealers here and one out-of-town are talking about forming a protective committee to compel the NASD to rescind its profit limitation decree and to fight any future action by the Association or the SEC that is considered inimical to the interest of the securities business.

A couple of NASD officials have taken the attitude that the "Chronicle" has misinterpreted the Association's letter to its members on the subject of mark-ups. They say no ceiling has been put on profits but a "philosophy" has been set forth that should govern the conduct of members with respect to mark-up practices. The Editor of the "Chronicle" was momentarily confused because he had read the letter advising members of the decree at least ten times. He did not remain in this state long, however, after reading a subsequent letter sent out by the Association to all members of its Business Conduct Committees, but not to the whole membership, which elucidated the subject. It is necessary,

(Continued on page 2208)

More Dealer Comments On NASD Rule

DEALER NO. 69

In your issue of Nov. 18, you stated that at a recent meeting Mr. Riter made it clear that come "hell and high water" the NASD was prepared to fight any organized opposition to its recent edict in respect to the limitation on profit. Manifestly, if there is any organized opposition it would come from the members of the NASD. Is it Mr. Riter's intention to use the funds of the NASD to make such a fight? If so—at least in part—he would be using the money that had been contributed by those members of the NASD who are opposed to this edict. It would seem to me that by so doing Mr. Riter and the Board of Governors would be laying themselves open not only to considerable criticism, but also to a suit for the misappropriation of the funds of the organization.

I am strongly of the opinion that the Board of Governors as now constituted is not representative of the majority opinion of the membership of the NASD. For instance, it seems an anomaly to me to have an organization, which polices the activities of the over-the-counter business, headed by a member of the New York Stock Exchange and the New York Curb Exchange. The interests of these Exchanges are diametrically opposed to the over-the-

(Continued on page 2214)

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Brownell Replies to Sakolski's Article on Bimetallism Question

In an article published in the "Chronicle" of Oct. 28, captioned the "Ghost of International Bimetallism Reappears," A. M. Sakolski of the City College, New York City, took issue with the program advocated by Francis H. Brownell, Chairman of the American Smelting and Refining Co., regarding the use of bimetallism as the most suitable standard of international currency for the post-war world. The full text of Mr. Brownell's pamphlet on the subject appeared in the "Chronicle" of Sept. 30, on page 1304. Apropos of the views expressed by Mr. Sakolski in his article, we have received the following letter, dated Nov. 23, from Mr. Brownell:

Francis H. Brownell

The article in your issue of Oct. 28, headed "The Ghost of International Bimetallism Reappears," by Professor Aaron Morton Sakolski of The City College, is likely to prove so misleading to your readers that I take the liberty of presenting a reply.

The chief point made by Dr. Sakolski is that under bimetallism the market ratio of gold and silver prices will diverge from the mint ratios, and thus what is known as "Gresham's Law" will drive one or the other metal out of circulation.

But this could not happen under the modern theory of international bimetallism, which is that several important nations, especially the United States and British Empire, should apply to silver the same principle that has been applied to gold; namely, buying all silver offered, at a fixed price to be agreed upon, and what is equally important, selling whatever is required at the same price.

When England, after the Napoleonic wars, revised its currency and went to the gold standard, it fixed 113 grains of fine gold to the sovereign, but did nothing about the current market price of gold, which continued to vary up

(Continued on page 2214)

Attempt To Establish The "5% Rule" As A Recognized Practice Of Dealers In Securities

By A. M. METZ and EDWARD A. KOLE

Years ago after elections, there were parades of citizens many of whom wore a band around their hats with the legend, "I told you so."

In that same spirit the writers approach this article. During a luncheon within the month, they said, "The Securities and Exchange Commission at its first opportunity will use and quote the 5% spread rule of the NASD as evidence of the established practices and customs in the securities business."

Lo and behold—it has come to pass! There is pending in the United States Circuit Court of Appeals for the Second Circuit, the case of Charles Hughes & Co., Inc., petitioner, against the Securities and Exchange Commission. In this appeal, a review is sought of a Securities and Exchange order revoking the petitioner's representation as a dealer in securities. The Commission contends that the petitioner continually sold securities to its customers at prices substantially in excess of prices prevailing in the "over-the-counter" market without disclosing that fact to the customers. These prac-

(Continued on page 2219)

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House Group Contends OPA And FDA Exceed Authority Granted By Law

The special House committee investigating Federal agencies on Nov. 29 charged the Office of Price Administration and the Food Distribution Administration with exceeding the authority granted by law and asserted that these agencies were using the subsidy program, the Lend-Lease Act and the needs of the armed forces "as a subterfuge to impose legislation upon the country which Congress had failed or refused to enact." According to Washington advices, Nov. 29, to the New York "Times," in its third intermediate report, the Committee charged the OPA with violating the Price Control Act by setting maximum prices on meats "that were not generally fair and equitable" and by recommending to the Economic Stabilization Director Fred M. Vinson, that "indirect ceilings" be put on live cattle. It was further stated in these advices that the Committee said that the FDA inserted two clauses into Surplus Commodities Corp. contracts dealing with purchases for lend-lease and the armed forces, one of which "amends existing law" while the other "enacts new legislation."

The advices to the "Times" went on to say:

The meat prices established by OPA, according to the Committee, resulted in continuing for non-processing meat packers operating losses of 1½ cents a pound.

"The effect of the order," the Committee reported, "was to favor, foster and encourage monopolistic tendencies to concentrate the meat-slaughtering business in the hands of the comparatively few large processing slaughterers and to destroy the much greater number of small independent slaughterers who operate without processing facilities."

The agency further violated the Price Control Act by failing to take remedial action within 30 days after complaints were filed, the Committee said.

The order to establish ceilings on prices of live cattle without the consent of the Secretary of Agriculture, to whom the Price Control Act gives exclusive jurisdiction over prices of agricultural commodities, had the effect of nullifying an Act of Congress, the Committee charged.

"For all practical purposes," the Committee said, "the Price Control Act has been repealed by subsidy."

"Your Committee recognizes," the report stated, "that the Office of Price Administration was dealing with a very difficult situation in its endeavor to keep meat prices within a noninflationary range without fixing a price ceiling upon live cattle, but we wish to emphasize the fact that whatever difficulties may be encountered in effectively administering the law, no administering agency should exceed the powers granted it by the statute.

"The Constitution recognizes but one legislative body, namely, the Congress.

"When an executive agency finds that it cannot perform its functions efficiently under the authority granted it by Congress, it has but one alternative, that being to report the facts to Congress and request an extension of its powers.

"In this instance, by the payment of a subsidy to those slaughterers who conform to the price ceiling fixed, and by penalizing those who do not, the act of Congress has in practical effect been nullified by administrative regulation, since a price ceiling on an agricultural product has been set without consent of the Secretary of Agriculture.

"This Committee was created for the purpose of bringing to the attention of Congress and the people of the nation instances where executive agencies have exceeded the authority granted by law. No one devoted to democratic government can remain unconcerned whenever such action is taken by an executive agency."

In contracting for dairy products for military and lend-lease purposes, the committee alleged, the FDA amended existing law by requiring producers and manufacturers to pay their employes for overtime work whereas the Fair Labor Standards Act specifically exempts processors of dairy products from its overtime provisions.

The same agency enacted new legislation by requiring contractors not to discriminate against employes because of race, creed, color or national origin, the committee said.

"Congress has never enacted such a law and, however laudable its purpose may be, no government agency has been authorized by legislation to impose such a condition."

It was noted by Robert E. Smith, United Press Staff correspondent in a Washington account to the New York "World Telegram" that the report, declaring that the "Constitution recognizes but one legislative body, namely the Congress," said:

"When an executive agency finds that it cannot perform its functions efficiently under the authority granted it by Congress it has but one alternative; that being to report the facts to the Congress and request an extension of its powers."

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Organized Efforts To Upset NASD Profit Limitation Decree Inevitable

(Continued from page 2207)

however, to quote just one sentence from this letter to make it clear that the "Chronicle's" interpretation of the decree was not incorrect. Here it is: "Isolated transactions where the spread or mark-up is in excess of 5% may warrant only informal inquiry or a precautionary letter but where practice is established formal complaint procedure is a recommended course."

Those interested in this phase of the matter will want to read the letter from Dealer No. 79 in this issue and the article entitled "Attempt to Establish The '5% Rule' As A Recognized Practice Of Dealers In Securities," which appears on page 2207, for an insight into the meaning others have placed on the NASD's letters relating to their decree.

In our Oct. 28 issue we questioned the validity of the method used by the Association to determine the mark-up practice of its members and last week revealed that 25% of the transactions reported by one dealer had been consummated at cost or at a loss. Now we find that when it came to listed securities, the Association did not take the cost price to the dealer to determine the percent of profit he took but rather the price at which that security sold on the exchange it happened to be listed on.

At the meeting of the Officials of District 13 (which takes in the whole of New York State besides Connecticut and New Jersey) on Nov. 16 it was brought out that during the last four years only eight or ten complaints had been received from customers of dealers. This being the case, it is pertinent to ask "who is it that is clamoring for a profit limitation measure if it isn't the public?"

We give as many of the letters received on the profit limitation decree as can be accommodated in this issue. None favoring the decree was omitted. They start on page 2207. The one received from J. A. White of Cincinnati appears on the front cover under the caption "NASD Profit Limitation Decree Violates Maxim 'United We Stand, Divided We Fall.'" Mr. White gave us permission to publish this including his name.

The vicious NASD profit limitation measure MUST and WILL be killed. Every dealer should use his utmost efforts to make this an accomplished fact. The "Chronicle" invites other dealers to write in giving their views on the subject. The names of those submitting comments will be omitted where requested. Communications should be addressed to Editor, Commercial & Financial Chronicle, 25 Spruce Street, New York 8, N. Y.

Halbkat With Sidlo, Simons

(Special to The Financial Chronicle)

DENVER, COLO. — James E. Halbkat has become connected with Sidlo, Simons, Robert & Co., First National Bank Building. Mr. Halbkat was previously with Halsey, Stuart & Co. and Brown, Schlessman, Owen & Co.

An Interesting Situation
In a Growth Industry
York Corporation
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Analysis on request
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Wilson Of GM Urges Conversion Plans Now

C. E. Wilson, President of the General Motors Corp., said on Nov. 24 that if the war ended next week and the company were "turned loose" it could be producing some new cars in three months and turning out many within six months. He made this statement in testimony before the Senate War Investigating Committee, headed by Senator Truman (Dem., Mo.).

From United Press Washington advices as given in the New York "World Telegram" we quote further as follows:

Mr. Wilson predicated his answer on the idea that he could clear his plants of government machinery immediately, without waiting for audits and shipping orders, and that raw materials and all necessary machine tools were available at once.

"I think that the first things the people will want when this war is over are new automobiles and household appliances," Wilson said.

Mr. Wilson pointed out that the country had about 18 months to get prepared for war before Pearl Harbor and advocated that conversion planning be promoted now to reduce as far as possible the production lag when the war ends.

He recommended that General Motors be permitted to place orders now for machine tools which it will need to produce automobiles again. He pointed out that many machines absolutely essential to automobile production have been transferred to the government and to sub-contractors because the corporation could not use them for war production.

"Many of them were bottleneck machines without which there could not be a steady flow of civilian production," he said.

Profit Potentialities

The "Rock Island" reorganization offers attractive profit potentialities according to a detailed circular on the situation issued by McLaughlin, Baird & Reuss, 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this interesting circular may be had upon request from McLaughlin, Baird & Reuss upon request.

Burlington's Credit Improvement Possibilities

(Realistic Switch Suggestion Offered)

Copy of study available to Brokers and Dealers

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"Let's Sum Up"

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Circular on request

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Tomorrow's Markets Walter Whyte Says—

Recent market action points to a base closer to current prices. Foreign and domestic developments still dominate price levels.

By WALTER WHYTE

The reaction of the past few days—a dull, draggy affair—was in line with the forecasts made here last week. But since that statement appeared the market has taken on a new tinge. In my previous column I wrote that a setback to about 125-26 was expected sometime before the middle of December. The other day the averages sold under 130 by a small fraction and the long faces of market habitues began making their appearance. But despite the feeling that prices are headed lower the market action of the past few days seems to point if not to higher prices then to a base much closer than I envisioned last week.

* * *

Certain offerings which were pressing for sale when last week's column was written have either been pulled or have been sold privately. Certain bids which lay dormant under the market, waiting for prices to get down to them, have been lifted. True, the latter does not involve large amounts of stock, but the size of the potential buying doesn't impress me as much as the quality. If that was all I had to go by I would have no hesitation in coming out flatly and advise buying. But with conditions being what they are, certain other considerations must also be recognized.

* * *

One reason why selling has dried up and new buying shows a desire to lift its bids may be attributed to the elimination of the tax factor. But that isn't enough reason. There is something else. What this something else may be is a matter of conjecture. Peace talk is increasing. Whether or not this is justified time alone will tell. I don't, for example, care for the picture of postwar planning I have seen painted by various word artists. Most of the conferences which start off with a terrific whoop-la and die aborning increase my dislike for the deep undercurrents that certain elements in and out of Washington seek to foster.

* * *

But if the international picture is confusing the domestic outlook is equally foggy. Congress with its eyes on 1944 seems to have relegated the war to the cloak room. What all these things will lead to I don't pretend to know. At times I feel the market must give the answer; not in so many words, but in action which will foretell if the developments will mean less or more pressure on business, and indicate this by either good or bad market performance.

* * *

The trouble is that the mar-

(Continued on page 2225)

Four Leading Banks Compared

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other principal exchanges, have issued a table showing thirty-five different comparisons between stocks of the Guaranty Trust Company, Irving Trust Company, Chemical Bank and Trust Company, and Manufacturers Trust Company, indicating the relative degree of improvement during the past decade. Specific purchase and switch recommendations are made in the study, which also discusses the basic improvement in the banking industry as a whole over the past decade. Copies of this interesting table may be obtained from Goodbody & Co.

Railroad Securities

The railroad earnings reports for October, which have started coming in within the last week and a half, have pretty generally shown a sharp acceleration of the rate of year-to-year declines in net income. The results as compared with the like 1942 periods have been affected by the gradual flattening out of the traffic curve which had been expected in view of the near saturation point reached last fall. To this has been added the increasing tax burden of recent months and, as a particular distortion to October results, the accrual of retroactive wage increases. Few roads had made any provision for the increases in earlier months due to the complete uncertainty as to what the burden would be.

The earnings results as they have come along are hardly calculated to generate a broad demand for railroad securities, particularly securities of a highly speculative nature. To this relatively unfavorable earnings picture has been added, as a market influence, uncertainty as to the probable early future trend of international affairs. The war news has been fairly generally favorable although perhaps not so spectacularly so as it had been. There has also been the speculation on the anticipated announcement of a meeting of the heads of the United Nations. While rumors have been thick it is generally accepted that decisions made at this meeting will have an important bearing on the probable further duration of at least the European phase of the war.

A speculative community conditioned to the theory (however erroneous) that railroad securities are inherently "war babies" has naturally enough been inclined to adopt a cautious side-line attitude in the face of the possibility of some spectacular announcement in the immediate future. With buyers cautious, and bids in many instances withdrawn or materially shaded, fairly sharp price declines have taken place on relatively little volume. The one encouraging feature of the market is that even the combination of poor earnings comparisons, war optimism, and fairly steadily declining prices has not been sufficient to bring any heavy liquidation into the market.

Lack of any real selling pressure on the way down is considered in many quarters as presaging a fairly fast turn around once the present uncertainties are resolved. As to the uncertainties surrounding the probable further duration of the war, no one is competent to say when they may be resolved. It is doubtful, however, that a peace psychology can permanently influence the market once the aggravating influence of year-to-year earnings declines has been removed. This is particularly true inasmuch as it is extremely doubtful if the entire war will end at one time—it is generally conceded that if the European war should be terminated shortly the Pacific phase would take a further extended period to wind up.

With respect to earnings trends, that is year-to-year comparisons, the picture should tend to improve from here on for most roads. The distortion caused by accrual of the retroactive portion of the wage increases will presumably be eliminated in November reports but the mounting level of taxes will continue. For the balance of the year, then, earnings in general will presumably run materially below like 1942 intervals. After the turn of the year there should be a decided change for the better in earnings comparisons for a number of the major carriers, giving a better appearance to railroad earnings as a whole, with others falling in line in early subsequent months.

The more favorable early 1944

(Continued on page 2221)

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"Rock Island" Reorganization Profit Potentialities

Circular on request

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PHILADELPHIA, PA.—H. N. Nash & Co., 1421 Chestnut Street, announces the association with the firm of Frederick S. Fischer, Jr., and that the firm will act as correspondents for Frederic H. Hatch & Co., of New York.

Mr. Fischer, formerly manager of the trading department of Hendricks & Eastwood, Inc., will supplement the bank and insurance stock business of H. N. Nash & Co. by dealing in local and general market corporate issues. He is secretary of the Investment Traders Association of Philadelphia.

Amount	Security	Price	Yield %
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500 Shrs.	Phila. Electric $1 Preference Common	25 Flat	4.00
*500 Shrs.	Gen. Tire & Rubber Cum. Pfd. 4½%	101 & Div.	4.46

Amt. in Thous.	Security	Rate	Maturity	Price	Yield %
$100	City of Phila. Refunding	3¼%	1- 1-1975/65	118.57	2.15
50	Dela. Riv. Bridge Comm.	2.70%	8- 1-1973	103.75	2.52
50	Penna. Turnpike Revenue	3¾%	8- 1-1968	103.00	3.57
10	Connect. Rwy. of Phila. 1st	4%	3-15-1951	111.00	2.35
15	Lehigh Coal & Nav. Fund.	4%	7- 1-1948	106.25	2.55
15	American Tel & Tel Deb.	2¾%	12- 1-1970	101.50	2.67
15	N. Y., Phila. & Norf. Stk. Tr.	4%	6- 1-1948	104.375	2.95
25	Penn. Glass Sand 1st	3½%	6- 1-1960	107.00	2.96
15	Phila. & Read. Terml. 1st	3½%	3- 1-1966	103.75	3.26
25	Market St. Elev. Pass. Ry.	4%	5- 1-1955	104.50	3.52
25	Phila. Company Coll. Tr.	4¼%	7- 1-1961	105.75	3.80
10	Lake Shr. & Mich. So. Ry.	3½%	6- 1-1997	91.00	3.90
*15	York Corporation 1st	4¼%	10- 1-1958	103.00	3.98

**Prospectus on request.*

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Pennsylvania Brevities

U. G. I. Divestment Order Sustained

The U. S. Circuit Court of Appeals has unanimously sustained two SEC orders entered July 30, 1941, and May 7, 1942, against the United Gas Improvement Co., ordering the divestment of nine public utility corporations and nine non-utility companies.

The decision does not affect any of the proceedings covered by the company's voluntary plan previously approved by the SEC and now in the process of consummation.

U. G. I., in company with other holding companies fighting for the right to conduct an orderly rearrangement of their affairs, continues to challenge the constitutionality of confiscatory provisions of the Holding Company Act of 1935. North American Co., under similar circumstances, has carried its fight to the U. S. Supreme Court. Inasmuch as the Supreme Court has not yet ruled on the North American case, it is likely that the present U. G. I. decision will be likewise appealed.

The Holding Company Act of 1935 has long been regarded as a typical example of the "Thou Must" philosophy of the Administration. It presumes the premise that all holding companies, as defined, are evil both in theory and in practice and must therefore be banished with scant, if any, consideration of individual circumstances or of private or public interest. Compulsory divestment of large holdings of securities and forced sales of properties under unfavorable conditions can only result in widespread losses for the investing public, whose interests the SEC, by statute, was created to protect.

Delaware Power Stock Next

Delaware Power & Light Co. common stock, carried on the books of U. G. I. at $16,463,014, will constitute the next distribution to be made to U. G. I. stockholders. The distribution, which will be in the ratio of 1/20 share of Delaware to each share of U.G.I., will be made as of a record date to be fixed by the Board after acceptance by a favorable vote of not less than a majority of outstanding common stock. Since there are 23,252,005 shares of U. G. I. outstanding among upwards of 100,000 stockholders, the mechanics of the distribution present something of a problem. Physical issuance of the shares is not expected before spring.

Including the value of Delaware Power & Light, residual assets of U. G. I. common were estimated at $3.25 per share as of Nov. 1. Other principal holdings including cash and Government securities of $6,857,890, are comprised of substantial amounts of Niagara Hudson Power preferred and common, Commonwealth & Southern preferred, Kansas City Gas preferreds and Consumers Gas Co. of Reading common.

It is reported that the management of U. G. I. will soon take favorable action on the suggestion of dealers and many large stockholders to change U. G. I. common stock from no par to a stated par value, thus reducing the stock transfer tax and facilitating trading. Also under consideration is a reduction in the shares outstanding by an exchange of one new share for each present 10 shares.

On Nov. 21 it was announced that the one-billionth passenger had been carried on the lines of the **Philadelphia Transportation Co.**, a new all-time annual high for the system. By the year-end, it is estimated that the 1943 total will soar to 1,125,000,000 fares. By comparison, 672,136 passengers were transported in 1940. Despite

(Continued on page 2211)

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Delaware River Joint Commission Refunding Bonds

By WILLIAM F. MILLS

July 1, 1944, will mark the 18th anniversary of the opening to traffic of the Philadelphia-Camden Bridge. A glance at the record of operation from the date of opening amply testifies to the economic necessity of the bridge to the territory which it serves, to the ability of the management and to the high degree of earnings possibilities after the war.

TABLE OF OPERATIONS

	Traffic	Gross Receipts	Expenses	Net Receipts
1948 (½ Year)	4,355,923	$1,197,769.16	$338,225.26	$859,543.90
1942	12,463,283	3,069,647.27	702,687.82	2,366,959.45
1941	15,638,687	3,653,611.09	653,401.11	3,000,209.98
1940	14,185,835	3,340,113.26	562,054.96	2,778,058.30
1939	13,378,235	3,155,259.05	526,546.73	2,628,712.32
1938	12,820,338	3,027,489.36	581,672.32	2,445,817.04
1937	12,293,129	2,969,423.52	452,810.03	2,516,613.49
1936	10,614,475	3,067,967.87	461,260.86	2,606,707.01
1935	10,156,929	2,899,563.25	441,146.59	2,458,416.66
1934	9,981,615	2,846,116.26	429,412.63	2,416,703.63
1933	9,886,705	2,820,018.71	418,516.46	2,401,502.25
1932	10,804,557	3,091,576.91	456,397.44	2,635,179.47
1931	12,308,225	3,479,337.93	430,856.72	3,048,981.21
1930	12,285,359	3,517,730.64	500,597.53	3,017,133.11
1929	11,615,609	3,331,754.46	398,496.20	2,933,258.26
1928	9,725,470	2,827,786.83	378,590.01	2,449,196.82
1927	8,593,201	2,435,784.40	346,678.59	2,093,921.89
1926 (½ Year)	4,137,674	1,110,108.38	158,109.47	946,682.83

It is interesting to note that from the end of 1927, the first full calendar year of operation, volume of traffic increased substantially each year until 1932 and 1933, generally considered the "peak" depression years, when successive declines were registered. Beginning with 1934, however, traffic volume increased rapidly to a high of over 15,000,000 vehicles in 1941. A reduction in toll charges, effective Feb. 1, 1937, accounts for the slight reduction in gross receipts that year, but traffic volume showed an increase of approximately 1,700,000 vehicles.

With 1942 and our entry into the war, came gasoline rationing and periodic bans on pleasure driving, resulting in the second decline in traffic volume in the then sixteen years of operation. Also with the war came increased operating expense as a result of the increase in the cost of materials and protection. The $32,000,000 War Risk insurance carried on the bridge costs $38,400 alone. The last quarter of 1943, and sub-

(Continued on page 2211)

Phila. Bond Club Gets Slate Of Candidates

PHILADELPHIA, PA. — The nominating committee of the Philadelphia Bond Club has presented the following slate of candidates to be voted upon at the annual election to be held December 15th:

President: Robert G. Rowe, Stroud & Company, Incorporated.

Robt. G. Rowe

Vice-President: Chauncey P. Colwell, Merrill Lynch, Pierce, Fenner & Beane.

Secretary: O. J. Matthews, Kidder, Peabody & Co.

Treasurer: Bertram M. Wilde, Janney & Co.

Governors: Walter A. Schmidt, Schmidt, Poole & Co.; Alfred Putnam, Auchincloss, Parker & Redpath; and E. F. Beatty, W. H. Newbold's Son & Co.

Porto Alegre Bond Payment

Ladenburg, Thalmann & Co., as special agent, is notifying holders of City of Porto Alegre (United States of Brazil) 40-year 8% sinking fund gold bonds external loan of 1921, that funds have been deposited with them, sufficient to make a payment in lawful currency of the United States of America, of 16.25% of the face amount of the coupons due June 1, 1941, amounting to $6.50 for each $40 coupon and $3.25 for each $20 coupon. It is further announced:

"Pursuant to the provisions of the Presidential Decree of the United States of Brazil, such payment, if accepted by the holders of the bonds and coupons, must be accepted in full payment of such coupons and of the claims for interest represented thereby.

"No present provision, the notice states, has been made for the coupons due Dec. 1, 1931, to Dec. 1, 1933, inclusive, but they should be retained for future adjustment."

Seaboard Air Line Situation Interesting

With the purchase by the Receivers of Receivers' Certificates, Raleigh & Gaston, and Raleigh & Augustas, the first 4s of 1950 of Seaboard Air Line, behind which is pledged the Richmond & Washington Company Capital stock, offer a rather strategic position, according to L. H. Rothchild & Co., 120 Broadway, New York City. Copies of the firm's interesting study of the situation are available from them upon request.

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DIRECT PRIVATE WIRE
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REED, LEAR & CO.
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PITTSBURGH

Pennsylvana Brevities

(Continued from page 2210)

the increased strain on equipment and personnel, figures for the first 10 months show a 19.4% drop in the number of accidents per 100,000 miles of operation. Accidents per million passengers were 25.73% fewer, compared with the corresponding 1942 period. Total miles covered by P. T. C. cars and buses is estimated at 109,222,170 for the year.

The report of Philadelphia **City Treasurer Edgar W. Baird, Jr.,** for the first 10 months of 1943 shows that from all sources of revenue $77,475,681 has been collected. This amounts to approximately 95% of the budget estimate of $81,816,000 for the entire year, and it is now apparent that the City Treasury should receive in excess of $84,000,000 for the 12 months ending Dec. 31.

In mid-November, **York Corporation,** manufacturers of air-conditioning and refrigeration equipment, sold $4,500,000 1st 4¼s, 1958, at 102½, the proceeds of which were applied, in part, to the redemption of the company's 6% mortgage issue. **There now exist no restrictions against dividends on the 962,046 shares of common stock outstanding.** Net income for 10 months of the fiscal year was reported as $800,246, after all deductions and provisions for excess profits taxes in the amount of $933,000.

Growing in popularity among Pennsylvania investors are the common shares of **Christiana Securities Co.,** chief assets of which are 3,049,800 shares of duPont common and 85,000 shares General Motors. The current asset value of one share of Christiana is equal to more than 19 shares of **duPont common,** but the proceeds from about 16 shares of duPont at the present market will buy one share of Chrisitiana and at the same time increase the return on the investment about 9½%, based on present indicated dividends. The fact that Christiana offers an ideal medium to invest in duPont at a substantial discount and on a more favorable income basis, has increased public interest despite its price per share (about $2,250). **Number of common stockholders increased from 132 in 1934 to 2,409 in 1942.**

Cash or equivalent in the hands of the trustees of **Pittsburgh Railways Co.** was reported at $12,657,000 in November. Net earnings for the year, after depreciation, provisions for Federal taxes and service on Car Trust Certificates, will approximate $4,000,000. **Many owners of the minority-held outstanding securities believe there is no good reason for a continuance of the trusteeship.** To come out of receivership without reorganization would enable the company to retain the benefits of its present very favorable tax base.

Brill Corporation 7% preferred presents an interesting study to investors with an analytical turn of mind. Indications are that 1943 earnings will equal if not exceed the $36.84 per share recorded for 1942. Net current assets are approximately $175 per share with an equivalent book value of about $300 per share. As of Oct. 31, 1943, dividends were in arrears to the extent of $77.58 per share. Reclassification, perhaps similar to that offered the preferred stockholders of **American Locomotive Co.** would seem to be in order. Of equal interest is the 7% preferred stock of Brill Corporation's principal subsidiary, **American Car Foundry Motors Co., which, in turn, owns Hall-Scott Motor Car Co., A. C. F. Motors Co. and Fageol Motors.**

Philadelphia & Reading Coal & Iron Co., in the process of reorganization, has asked the U. S. District Court for permission to distribute $1,710,979 among its bondholders and creditors. This followed a petition filed by a bondholder on Oct. 15 asking that $8,000,000 be so distributed. The company states that the lesser amount can be taken from working capital without impairing the company's position. **In the 12 months through June, the company reported net income of $735,565, indicating a fixed charge coverage of 1.25 times.** The time for filing acceptances to the amended plan of reorganization has been extended to April 9, 1944.

The court and trustees in bankruptcy have ordered the payment of June and December, 1943, interest coupons on **York Railways 5s, 1947,** thus bringing payments up to date. Previously, payments had been deferred for the purpose of making property improvements.

Consolidated net income of **Philco Corporation** for the first nine months of 1943 totaled $2,445,034, equivalent to $1.78 per share of common stock. This compared with $1.45 so earned in 1942, according to John Ballantyne, President.

PERSONALS

James T. Buckley, Chairman of the Executive Committee of Philco Corporation, has been elected a director of the **Federal Reserve Bank of Philadelphia** to succeed Frederick C. Stout.

Joseph Morley With W. H. Bell & Co.

PHILADELPHIA, PA.—Joseph E. Morley has become associated with W. H. Bell & Co., Inc., 1500 Walnut Street. Mr. Morley was formerly in charge of corporation securities in the Philadelphia office of Warren W. York & Co. Prior thereto he was with Hornblower & Weeks and Yarnall & Co. In the past he was a partner in Morley, Wood & Co.

Empire Sheet & Tin Plate Situation Attractive

The first mortgage 6s of 1948 of Empire Sheet & Tin Plate Co., offers attractive possibilities according to a memorandum prepared by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this interesting memorandum may be had upon request.

Delaware River Joint Commission Refunding Bonds

(Continued from page 2210)

sequent years, however, will reflect the substantial saving in the interest cost on the bonded debt of the bridge as a result of the refunding of the 4¼% bonds in September with an issue of $37,000,000 2.70s. At the time the call of the 4¼s was issued, interest cost amounted to approximately $1,500,000. Annual interest requirement on the 2.70s amounts to $999,000, reflecting a saving of approximately $500,000, which should more than offset presently foreseeable increases in cost of operation.

As to the ability of the Delaware River Joint Commission to meet the interest charges on the bonds for the duration, without indulging in a guessing contest as to the length of the war or the future supply of civilian gasoline, one fact should be noted. Under the terms of the indenture relating to the $37,000,000 2.70s, the approximately $6,200,000 surplus existing at the time of their issuance, has been placed in a "Reserve Account." The Commission covenants that, until revenues from operation shall amount to $3,300,000 annually, the money in the Reserve Account may be used only to meet deficiencies in funds available for the payment of interest on the bonds. Thus, if gross earnings should decline to the point that they were sufficient to cover operating expenses only, interest on the bonds could be paid in full from the Reserve Account for six years. The above table shows how great a decline in revenues would be necessary to simply cover operating expense.

As a further indication of the economic importance of the bridge, it is interesting to note that in 1941 the bridge's share of all cross-river traffic using facilities within ten miles of the bridge was 75.94%. In 1942 this percentage rose to 76.62%. A post-war project vitally important to future bridge traffic is the widening of the Vine Street approach to the Philadelphia entrance to the bridge. The Commonwealth of Pennsylvania has provided the necessary funds and notices have been served by the City Solicitor of Philadelphia upon the owners and tenants of properties in the affected area, condemning the whole in the name of the Commonwealth. With the availability of materials for road building after the war this improvement should proceed without delay.

Formula To Avert Mass Idleness Outlined By Eric Johnston Of U. S. Chamber

Eric Johnston, President of the United States Chamber of Commerce, on Nov. 30, outlined a formula to avoid mass unemployment after the war, which he said could achieve the same four-fold unity at home that the Moscow agreement portends abroad. This was reported in an Associated Press dispatch from Washington, on Nov. 30, which also had the following to say:

Asserting that despite conflicts the things that make management, labor, agriculture and Government one "are a thousandfold greater than the things that divide them," the President of the United States Chamber of Commerce added that unity among them "will mean that we are on the threshold of America's greatest development."

To attain that unity, he said in an address to the Women's National Press Club, the four must try in a spirit of cooperatioin to map the "areas of agreement" among them.

"Management, in this spirit of unity," he declared, "must understand that labor unions are here to stay; that we must have lower and lower profit a unit and bigger and bigger volume of sales; that high wages are important if based on a correspondingly high level of production; that monopoly is a sissy way of doing business; that the umbrella of monopoly is only held up over the heads of those who are frightened by their own inefficiency.

"Labor, in this spirit of unity, must remove any acts or policies which restrict or retard production. Labor organizations must be more free, more democratic, more socially minded. Labor must clean its own house of those abuses which have crept into some of their organizations.

"Agriculture must recognize the necessity for constantly lowered costs and greater efficiency; that an economy of scarcity is an economy of ruin; that a prosperous management and labor are essential to absorb the production of the farm.

"Government must understand that you don't increase purchasing power by taking a dollar from somebody and handing it to somebody else; that the individual should be stimulated to his greatest productive capacity; that there should be revisioin of tax laws to stimulate the investment of risk capital to give jobs to men; that we must have the maximum amount of private enterprise and the minimum amount of Government regulation, consistent with our complicated modern economic society."

Bioren & Co Admits Larzelere As Partner

PHILADELPHIA, PA.—Bioren & Co., 1508 Walnut Street, members of the New York Stock Exchange, announce that Walter D. Larzelere has been admitted to general partnership in the firm.

That Mr. Larzelere would become a partner in Bioren & Co. was previously reported in the "Financial Chronicle" of Nov. 11.

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New York Boston Chicago
San Francisco Los Angeles

Pay On Brazilian 8s

Dillon, Read & Co., New York, special agent of the United States of Brazil, announce that interest was being paid Dec. 1, on United States of Brazil 20-year external loan 8% bonds, due June 1, 1941, at the rate of $10 for each $1,000 bond and $5 for each $500 bond, or on the basis of 25% of the dollar amount payable, in accordance with the provisions of Decree-Law No. 2085 of March 8, 1940.

UTILITY PREFERREDS

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Public Utility Securities

Standard Gas & Electric Plan Modified

The Utilities Division of the SEC recently released its "proposed findings and opinion" on the voluntary plan submitted last March by Standard Gas & Electric for simplification of its capital structure. It had been surmised in the Street for some time that bondholders might receive recognition of their demands for a larger proportion of the new common stock issue, and this has been recommended in the staff report. In addition to $500 cash, 5 shares of California Oregon and 2 shares of Mountain States, each $1,000 bond will now receive about 27¼ shares of new Standard Gas class A stock in lieu of the 23 shares originally proposed. Moreover, the class A stock has had its 85 cents preferential dividend strengtnened by making it non-contingent on earnings—the original plan would have made it cumulative only if earned.

The balance of the common stock, designated as class B, will share in dividends equally with the A stock after the preference is satisfied. In other words, the A receives 85 cents, the B 85 cents, and then both share equally in additional payments. (Class B cannot receive dividends, however, during the life of a proposed collateral bank loan.) While the complete text of the staff report is not yet available, the data contained in the press release appears to indicate that the $7 prior preferred stock will receive 6.7 shares of new B common, the $6 prior preferred 5.8 shares and the $4 preferred .21. At the current price of about 35½, this would seem to indicate a value of about 5¼ for the new B stock.

It is a little difficult to estimate current earnings on the new basis because of the numerous changes proposed by the plan. However, the pro-forma consolidated income account for the calendar year 1942 indicated net income of $6,283,000 on the new basis, as compared with $5,647,637 actually reported, an increase of about $635,000. Applying this increase to the net income reported for the 12 months ended June 30, 1943 ($6,050,327) results in estimated earnings of $6,685,000, which amount is equivalent to about $1.37 on the 4,854,802 class A and B shares. On this basis, the indicated market price of 5¼ would be equivalent to about 3.8 times earnings.

However, the staff report appears to indicate the possibility that Oklahoma Gas & Electric might be sold by Standard Gas within the next few months, while a sale of Lousiville Gas & Electric might also be consummated. A plan for "readying" Oklahoma has already been submitted to the SEC, providing for the usual adjustments and common stock split-up. An offhand estimate would appear to indicate that Standard might obtain around $12,000,000—$13,000,000 from the sale of Oklahoma. Possible sale proceeds of Louisville are more difficult to guage but might be in the neighborhood of $3,000,000 after retiring the Class A stock of the Delaware sub-holding company. Standard Gas probably has about $6,000,000—$7,000,000 liquid assets, in the parent company treasury. The sum of these three amounts, together with some $5,500,000 obtainable from sale of Standard's investment holdings of 200,420 shares of Pacific Gas & Electric might aggregate about $27,000,000, as compared with the amount of $29,601,000 required to pay $500 cash per bond on Standard's six bond issues. This would almost avoid the necessity for the proposed $21,000,000 three-year collateral bank loan, and would greatly simplify the problem of system simplification under Section 11.

If the loan could be avoided, the provisions in the plan prohibiting dividend payments on class B shares while the loan remains outstanding, could also be avoided. However, there might be some loss of income from this arrangement since Standard received about $1,446,000 in 1942 from the securities to be liquidated, and interest on the bank loan would presumably be only about $735,000 (although earnings up to $2,000,000 a year would have to be applied as a sinking fund). There would thus be a net loss of over $700,000 in parent company income, of which only a small amount would be recouped in taxes.

The net loss in earnings per share on the new A and B stock might be in the neighborhood of 15 cents on a parent company basis, and 23 cents on a consolidated basis, which would not be a serious factor as compared with the lifting of the dividend embargo. It seems probable that the SEC would also favor more rapid sale of the properties than was contemplated in the original plan.

Summarizing, under the plan as devised, Standard Gas $7 preferred appears to be selling at around 4 times system earnings, as contrasted with the present ratio of 2¾ based on recent share earnings of $12.92 on the preferred. If the Louisville and Oklahoma properties are sold and proceeds can be used in lieu of the proposed bank loan, the ratio would be nearer 5.

MIDLAND UNITED COMPANY

Memorandum on request

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Scrapping Of New Deal Is Debated At Forum

The New Deal was denounced on Nov. 25 by John T. Flynn, member of the New York Board of Higher Education, as a venture in the direction of fascism and was extolled by Max Lerner, political economist, as a democratic base on which the foundations of an enduring peace were being built, according to the New York "Times" of Nov. 26.

Mr. Flynn, former Chairman of the America First Committee, argued affirmatively on the question, "Should the New Deal Be Scrapped?" at the Town Meeting of the Air, broadcast over WJZ from Town Hall in New York City. Mr. Lerner, columnist on the newspaper PM, took the negative.

The following regarding the speakers' remarks, on the domestic aspects of the New Deal, was reported in the "Times":

Mr. Flynn charged that the New Deal was based on an economic theory of continuing unbalance of budget and the crowding of private industry by government "partnership in business." He said its continuation would mean the growth of the national deficit to "astronomical figures."

"You can argue for socialism, or for communism, or for capitalism," Mr. Flynn continued, "but the New Deal is none of these. It is a degenerate form of socialism and a debased form of capitalism. It can keep going only so long as it keeps the country in a state of crisis."

Mr. Lerner countered that the New Deal was ready to stand upon an unbalanced budget when that was necessary, but "only so long as necessary." He said it would not be necessary always.

"The New Deal came in being as a receiver in bankruptcy for a nation in the chaos created by an economy of greed," Mr. Lerner said. "Ask any ordinary American, in any income group, if he wants to scrap social security. Ask him if he wants to scrap lend-lease or the Moscow Pact? The New Deal is not over. It came into being in an economic emergency, but its most important phase has just begun, building the foundations for an enduring peace."

Mr. Flynn said that the building of roads and schools and other vast public works by the New Deal had been paralleled by pre-war Germany and Italy. He called this economic technique "a nice, polite, pleasant, pretty form of fascism" and added that the New Deal was centering more powers in Washington, taking more powers from the individual States, vesting more powers in the President and stripping Congress of much of its authority.

Mr. Lerner declared that the Government's vast public works projects had been made necessary to preserve the national economy after the blow dealt it by the pre-New Deal economic collapse and that it had preserved democratic institutions. Some of its emergency phases must be viewed in the light of the emergency, he said.

Burlington's Credit Improvement Possibilities

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have issued a study of Burlington's credit improvement possibilities, with an interesting switch suggestion, copies of which are available to brokers and dealers upon request.

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Real Estate Securities

We Hear That—

. . . Bullish for downtown office buildings, is the rumor that tenants whose leases expire May 1, 1944, have been told that in order to renew their leases they will have to pay considerably more rent. A couple of years ago, because of so much space available, these tenants were able to get their offices at very low rentals per square foot. Now the landlord has the advantage because there is very little space available and, besides, because of priorities, telephone equipment and materials necessary for equipping new offices are difficult to get. There is no ceiling on rents for commercial buildings, and if higher rents are obtainable in the financial section better earnings will aid the bondholders of these buildings.

. . . Holders of United States Realty & Improvement Co. 6% sinking fund debentures and 6% Gorge A. Fuller Realty Corp., guaranteed by United States Realty & Improvement Co., debentures, both due Jan. 1, 1944, have been tendered a plan under which they may exchange their debentures for $300 in cash and $800 in new 4% debentures payable Jan. 1, 1950—an alternate privilege of accepting $650 in cash for each $1,000 principal amount is also offered. Bonds recently sold at 72 and yesterday went up from 58 to 65 on news of the plan.

. . . A letter from the Management of the Savoy Plaza Hotel said that for the first quarter ending Oct. 31, 1943, interest earned on the bonds was over 10%, and should the same relative earnings continue through the remainder of the fiscal year, bondholders should receive a minimum return of $60 per bond Oct. 1, 1944.

. . . Apartments in the London Terrace are about 100% rented at the present time. Earnings have improved considerably under the new management. Bondholders should benefit if earnings continue good as extra interest payments are payable in June. There are several points in accrued interest due on these bonds. Bonds are fixed at 3% and at least 1% accrued interest might be expected June 1. Current market 43-43¾.

. . . Those interested in real estate securities might do well to look into the stock of Lawyers Mortgage Corp. and the Home Title & Guarantee Co. Both are selling considerably below their book values and have some real merit.

. . . Last week a plan was offered by the management on the Hotel Victoria. This is a stock issue with a $168 a share bid—paid $14 per share in dividends this year. The plan provides an exchange of a $200 debenture with fixed interest at 3% and additional 4% interest, totaling 7%, if earned, plus 5 shares of new $15 par value stock for each share now held.

Stockholders will still retain 100% ownership of the hotel. $19.89 per share was earned on the stock for the year ended Dec. 31, 1942. The stock was originally issued in a plan of reorganization on a basis of two shares for each $1,000 bond held. Creation of a funded debt once more probably will result in considerable tax savings for the stockholders.

TRADING MARKETS IN
REAL ESTATE
SECURITIES
★ ★ ★
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Halsey, Stuart & Co., Offers $25,000,000 Central Pr. & Lt. 3⅛s

Public offering was made Dec. 1 by Halsey, Stuart & Co., Inc., and 76 other investment banking houses of $25,000,000 Central Power & Light Co. first mortgage 3⅛s due in 1973. The issue was priced at 99½, to yield about 3.15%. Proceeds of the financing will be used to retire an equal amount of the company's 3¾% first mortgage bonds.

Associated in the offering are A. C. Allyn & Co., Inc.; Blair & Co., Inc.; Lazard Freres & Co.; Otis & Co., Inc.; Phelps, Fenn & Co.; Wertheim & Co., Bear Stearns & Co.; Burr & Co., Inc.; Baker, Weeks & Harden; Harvey Fisk & Sons, Inc.; Gregory & Son, Inc.; Hirsch, Lilienthal & Co., and others.

Central Power & Light, a subsidiary of the Central and South West Utilities Co., supplies electric, water and ice service in 46 counties in south and southwest Texas. About 74% of the company's revenues are derived from sale of electricity, 19% from the sale of ice and 7% from sale of water.

Revenues of the concern, according to the prospectus, have increased from $9,514,000 in 1940 to $12,148,000 for the 12 months ended on Aug. 31, 1943. In the last three years and eight months net additions to the company's property and plant account, against which no additional bonds were issued, were reported to exceed $3,600,000.

The bonds will be secured by a first mortgage on substantially all permanent physical property owned by the company. Beginning in 1953 an annual sinking fund will operate to retire the bonds.

Public And Private Investment After The War

A. H. Hansen Calls For Program Of Public Investment To Achieve Economic Stability And Full Employment

Sees No General Price Inflation Unless General Over-All Demand Outruns Supply

The necessity of undertaking a constructive compensatory and developmental program of public investment designed to achieve economic stability and full employment was stressed on Nov. 23 by Alvin H. Hansen, special economic adviser to the Board of Governors of the Federal Reserve System.

Alvin H. Hansen

Speaking before the 255th meeting of the National Industrial Conference Board at the Waldorf-Astoria Hotel in New York City, Mr. Hansen contended that "a vigorous program of public investment can provide not only a compensatory and stabilizing balance wheel to our economy, but can also open and enlarge private investment opportunities, revitalize enterprise and give us in the generation that lies ahead an expanding economy with high and rising levels of income and employment."

He said that had such a program been used in the 1929 depression "it cannot be doubted" that the decline in private capital outlays would have been much smaller.

Calling attention to the great importance of investment, Mr. Hansen said that "a relatively small fall in investment will induce a tremendous decline in income and employment"; citing the $15,000,000,000 drop in private capital outlays from 1929 to 1932 as inducing a decline in consumer expenditures of $30,000,000,000 and the fall in national income of $45,000,000,000.

With respect to inflation, Mr. Hansen expressed the belief that "unless the general over-all demand outruns supply, there will be no general price inflation" in the post-war period.

"Special areas of temporary scarcity," he says, "can be managed by price control and rationing. These controls should be removed as soon as supply catches up with demand." He expresses the view that "the fear of a sustained post-war inflation has been enormously exaggerated." Likewise, he says "the percentage of bonds available for spending has been enormously exaggerated. "Nor do I think it reasonable to suppose," he states, "that the public will cash in these bonds at once and engage in a wild spending spree." According to Mr. Hansen "the high post-war boom for industrial equipment is likely to ease off rapidly as after the last war. Thus, after two, three or four years the deferred demand boom is likely to end in a slump unless we do something about it." He adds:

"The answer is to push up construction to a volume of 15 to 18 billion dollars per annum. I do not know of any other way to prevent the impending slump following the re-stocking boom. Total investment must be held at a high level and construction will be the only field left for stimulation."

Mr. Hansen's address follows in full:

Public and private investment after the war cannot be considered apart from the pattern of the transition from war to peace. In this transition period, what may we reasonably expect?

Widely divergent views are currently held about the post-war prospect, both from the short-run and the long-run standpoints. First, there is the view that though we may succeed in holding the price line fairly successfully during the war, we shall inevitably experience, either in the immediate post-war or in the long-run post-war, a price inflation of 100, 300, or even 500%. Another view is that we shall automatically move smoothly into a high level of prosperity lasting for 10 to 15 years. Finally, there is the view which I myself hold that (if we are to escape turbulent conditions, inflation and deflation) it will be necessary to undertake a constructive and well mapped out compensatory and developmental program of public investment designed to achieve economic stability and full employment.

I shall consider first the transition period, and second the long-run aspects of the post-war problems.

The transition period can be divided into: (1) the partial war demobilization in the interval between the defeat of Germany and the defeat of Japan; (2) the critical war demobilization period after the defeat of Japan (6 to 12 months), and (3) the post-war deferred demand boom. Following this deferred demand boom, we shall face the long-run post-war problems.

In the transition period, is it true that we shall inevitably experience a violent price inflation? Many have held that by reason of the huge holdings of cash and war savings bonds, together with the accumulated deferred demand, the public will rush out and spend their savings in one grand buying spree, giving us a tremendous post-war inflation. Such a buying spree would obviously sooner or later collapse.

I do not think this dismal prospect is at all necessary or even likely, granted even a moderately sensible program. To begin with, if the war in the Pacific should continue for some time after the defeat of Germany, a gradual demobilization from war to peace is in prospect. Wartime controls in this interval would facilitate a gradual readjustment. A part of the most pressing needs of peacetime industry could be satisfied. Some new automobiles to meet the urgent needs of workers, for example, could be produced. Some raw materials could be released for rebuilding inventories, some needed equipment for civilian production could be supplied. All this would help to ease the final transition problem.

The critical demobilization period after the defeat of Japan will indeed present difficult problems of adjustment. Millions of people will be thrown on the labor market from the military forces, from the aircraft, ship building and munitions industries. This demobilization crisis will, however, be quickly followed by a large demand for inventories, for consumers' durables, and for certain kinds of equipment; there will be a huge net export surplus of foodstuffs and other materials for relief and rehabilitation; we shall experience a general all-around re-stocking boom. It will be a turbulent, spotty, uneven prosperity. There are likely to be important depressed regions and

(Continued on page 2218)

Public and Private Investment After the War

Terborgh Anent Doctrines of "Mature Economy" Declares Supposed Dearth Of New Securities "A Scarecrow."

Insufficiency of Private Investment After War Will Not Be Because We Lack Technological Opportunity

In an address on "Public and Private Investment After the War," George Terborgh referred to the fact that the subject was likewise dealt with on the same occasion (the forum session on Nov. 23 of the meeting in New York of the National Industrial Conference Board) by Alvin H. Hansen. Mr. Terborgh, who is Research Director of the Machinery and Allied Products Institute, undertook to state in his remarks that he did not imply that his remarks "should be considered a direct answer to Dr. Hansen's statement." "I have not had opportunity to see this statement in advance," said Mr. Terborgh, "and have therefore prepared no analysis or rebuttal. What I wish to do ininstead is to discuss the basic doctrines of the 'mature economy' school as set forth in the writings of its principal adherents." "Incidentally," he noted, "these doctrines have nowhere been more effectively presented than in Dr. Hansen's statement before the Temporary National Economic Committee."

George Terborgh

According to Mr. Terborgh "Dr. Hansen and his disciples appear to regard a sufficiency of private investment as an abnormal and transitory condition in defiance of the laws of nature." Mr. Terborgh added that "the decline of investment for expansion which characterizes the 'mature' economy thus precipitates chronic over-saving, and ushers in an era of secular stagnation and recurring crises from which there is no escape except through the intervention of government. In short, the private economy has become a cripple, and can survive only by reliance on the crutches of government support."

In looking at the evidence refuting the doctrines of the "mature economy," Mr. Terborgh pointed out that "one melancholy refrain in the writings of the 'mature economy' school is what they conceive to be a present dearth of new industries of major importance from an investment standpoint." Mr. Terborgh further observed:

"Capital formation is a tree with a thousand roots. The great bulk of its nourishment comes always from long-established industries, not from new ones. . . . The necessity for a spectacular 'new' industry for the support of private investment, if it ever existed, is definitely past. . . . The important thing is the total flow of technological development, not its concentration.

"With the expansion of industrial research technical progress is not only accelerated but made more even in flow, thus eliminating the gaps between major inventions which affected the continuity of investment opportunity in an earlier day."

The declaration was made by Mr. Terborgh that, "if we have an insufficiency of private investment after the war it will not be because we lack technological opportunity. This is one respect in which the situation will be almost fabulously propitious. The supposed dearth of new industries is a scarecrow."

The following is Mr. Terborgh's address in full:

The subject of the evening, "Public and Private Investment After the War," has so many ramifications that it defies comprehensive discussion in 30 minutes. I should like to focus your attention, therefore, on a single question: "Will it be necessary after the war to have more public investment than we want for its own sake, in order to make good a deficiency of private investment?"

A few years ago this question would not have arisen, for the simple reason that it would not have occurred to anyone to ask it. Now it is the central issue, thanks to the depression and to the economic ideologies that emerged from it. I refer especially to the doctrines of the "mature economy" school, of which my good friend Dr. Hansen is the acknowledged American leader. It is a tribute to the brilliance and effectiveness of his leadership that it is impossible today to discuss the role of public investment, post-war or otherwise, without debating the theories he has developed and disseminated.

To discuss these theories and their bearing on the post-war period within the limited time available this evening is so formidable an assignment that I have some doubt of its feasibility. Dr. Jordan has assured me nevertheless that he wants a debate on fundamentals, and Dr. Hansen and I have agreed to proceed accordingly. I hasten to add that Senator O'Mahoney is in no way affected by this agreement, but will exercise the pregorative of his position to say anything he pleases.

I do not imply that my remarks should be considered a direct answer to Dr. Hansen's statement of this evening. I have not had opportunity to see this statement in advance, and have therefore prepared no analysis or rebuttal. What I wish to do instead is to discuss the basic doctrines of the "mature economy" school as set forth in the writings of its principal adherents. Incidentally, these doctrines have nowhere been more effectively presented than in Dr. Hansen's statement before the Temporary National Economic Committee, of which the Chairman was the distinguished Senator who shares this program.

Dr. Hansen and his disciples appear to regard a sufficiency of private investment as an abnormal and transitory condition in defiance of the laws of nature. Formerly youthful, vigorous, and expansive, our economy has become "mature," with symptoms of chronic debility. The frontier is gone. Population growth is tapering off. Our technology, ever increasing in complexity, gives less and less room for revolutionary inventions comparable in importance with the railroad, electric power, or the automobile in earlier times. The weakening of these dynamic factors leaves the economy with a dearth of opportunity for private investment, which is increasingly confined to the mere replacement of existing capital assets upon retirement. This replacement, and such limited expansion as remains, can be largely financed from depreciation accruals and the retained earnings of business enterprises, hence absorbs little or no personal savings. Meanwhile, these savings accumulate inexorably, unaffected by the attrition of investment opportunity, and pile up as idle funds for which there is no outlet in new physical capital, their accumulation setting in motion a downward spiral of income and production. The decline of investment for expansion which characterizes the "mature" economy thus precipitates chronic over-saving, and ushers in an era

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ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number nine of a series.*

SCHENLEY DISTILLERS CORP.,
NEW YORK

Synonyms

Common usage is greatly responsible for new words entering our dictionary, and advertising is largely responsible for common usage.

For instance, in the camera and in the phonograph fields, there are two names which have virtually become synonyms for products manufactured in their respective industries. And, you will frequently hear a housewife mention a well-known trade name when discussing electric refrigerators—without actually meaning that particular make. These names, through common usage, are fast becoming general.

In quite a number of sections of our country, particularly in the south and west, the term Bourbon has become almost synonymous with whiskey—American whiskey. In the far west, you rarely hear the word, whiskey. You hear two words—Bourbon for American whiskey, and Scotch for foreign.

On the eastern seaboard, by the same token, the term Rye is used instead of Bourbon — again a synonym for American whiskey.

Surveys have proven that a man who asks for Bourbon in the west, or Rye in the east, is not necessarily conscious of the grains which are predominant ingredients in those whiskies. He just mentions Bourbon, or Rye, because of common usage of those terms in their respective territories.

This writer has frequently heard people say in the east, I like that XYZ Rye, and in the west, I like that XYZ Bourbon. And yet that particular blended whiskey has neither Bourbon nor Rye dominant flavor characteristics. It *does* have a flavor that appeals to the American taste, because of skillful blending of a number of whiskies which may, basically, be Rye or Bourbon, or both.

If you have found a blended whiskey that makes your particular taste buds happy, ask for it by name. If you merely say, "Give me a Rye," or "Give me a Bourbon," your dispenser will take you literally because he always tries to give you just what you ask for. If you ask for *blended* whiskey — you'll get it!

And, apropos of blends, a friend of ours recently asked, when we were discussing this subject, "You know the greatest blend of all?" He answered his own question. "It is America—a blend of the cream of the crop of many nations."

And who can disagree with that?

MARK MERIT
of Schenley Distillers Corp.

Organized Efforts To Upset NASD Profit Limitation Decree Inevitable

(Continued from page 2207)

counter business. This is demonstrated by the efforts of the Curb to extend trading privileges to many unlisted issues.

I am firmly convinced that the Board of Governors should send out a questionnaire immediately to the entire membership of the NASD to ascertain whether it does represent the views of the membership. If it is found that it does not, then the Board of Governors should either rescind their edict or resign.

I might add, that with all due respect, that I doubt whether Mr. Fulton is the proper man for his job. He has always been associated with the bigger investment houses and hardly can have the viewpoint of the smaller dealer.

To summarize, I believe that the root of the trouble with the NASD lies in its management as now constituted. What is needed is a better and a more representative management. How the smaller dealers can become organized to bring this about, I am frank to admit, I don't know. Probably one of the greatest services you can perform is to offer a solution to this problem.

P.S.—If you publish this letter, please do not use my name as I have already protested by letter directly to Mr. Riter, Mr. Fulton and Mr. Theis. The latter is the representative from this district on the Board of Governors. I might also add that I have written a letter to the Chicago "Journal of Commerce" stating that, in my opinion, the series of articles by Mr. Ayers, which it recently published, were unfair and not in accord with the facts.

DEALER NO. 70

Perhaps "The Chronicle," in its sincere efforts to help the membership lift, before it succumbs to, the ukase of the Governors of the NASD, could have a real fighting Congressman—one who possesses knowledge of the NASD 5% rule—sponsor a "bill to limit profits" on producers, wholesalers, retailers of any and all commodities and merchandise, real estate brokers and subdividers and let it include limitations on doctors' and attorneys' fees but specifically to include members of the NASD.

A precedent has been established by one of our so-called democratic governmental agencies, and surely no SEC sponsored rule could be tainted with even a savor of unconstitutionality? Let's have our lawmakers ponder the equity (siç) of any such restrictions.

If such a bill could be passed we would at least know where the "free" United States is heading—to that condition where there will be no securities or anything else of tangible or intangible value left to John Citizen. If, by accident or otherwise, such a bill should fail to be passed it could be that the NASD Governors might recognize that its membership is not entirely wrong in its present vociferous but unheeded objects to be ruled "out of business."

Surely Congress has spent time in considering bills less vitally important to the abolishment or preservation of the freedom supposedly guaranteed to law-abiding and ethical business men under the Constitution of the United States.

DEALER NO. 71

Especially was I interested in the various letters from the various dealers who have so clearly expressed their opinions of the NASD in respect to "write ups" of transactions and heartily concur in most of these opinions.

Due to the fact that I am a one man office, I feel that I am almost too small to be of much consequence in this controversy, however, when I think of the recent heavy increase in the annual dues of the NASD I feel that I am getting very little in return and am of the opinion that the end is not yet here as it appears that the membership is constantly shrinking, which will automatically make for further increases as time goes on.

Incidentally, I have been told repeatedly by various wholesalers that my commissions were entirely too small, but have always endeavored to play safe with all my customers which I scarcely ever lose except by death.

I am very definitely of the opinion that membership in the NASD is constantly becoming of less value to the average member, moreover I feel that comparatively few dealers have little or no need for these NASD rulings and I will predict that sooner or later these policies will make the Association crumble under the weight of its own short sightedness.

I do not want this letter published over my name for the same reasons as expressed by those dealers whose letters you have published. However, I do want to register my feelings in these matters, hoping that you will keep the crusade going.

DEALER NO. 72

Inasmuch as practically all of our business is in municipal securities which are exempt from SEC supervision, we resigned from NASD and withdraw our registration several months ago.

We are, however, in hearty accord with your view and feel that the restrictions on dealer's profits is unfair and further feel that if such a move is made that it would only be a short time before regulation of municipal dealers is also effected. We are definitely against any such move for any dealers.

DEALER NO. 73

With reference to your editorial of Nov. 18, on the subject of Limitation of Profits by the NASD through a degree issued to its members.

I, like many members of this Association, have found myself wondering more from year to year just what value is received by individual members in return for the financial outlay they are required to make for the assessments levied each year, and frankly, the two have never seemed to balance out.

An arbitrary limitation on profits in the investment business is, in my opinion, an impossibility. No two accounts are alike and there are many cases, over a period of time, where a 5% profit does not suffice considering the time and effort required in particular cases and extraordinary services rendered. Consequently, an arbitrary limitation on profits will, in my opinion, over a period of time defeat its own purpose.

As a small dealer who has been in business for quite a number of years, it is becoming an increasing burden to file the many reports required by various State and Federal agencies, and frankly, if this trend continues, I'm afraid there are going to be a large majority of independent dealers in securities operating outside of the realm of the law.

Frankly, both the SEC and the NASD are accomplishing very little towards eliminating the unscrupulous, dishonest dealer, and on the other hand, are making it increasingly difficult for an honest person to remain in business. The ultimate result of such a course leaves little question as to its outcome.

DEALER NO. 74

With reference to your article which appeared in the "Commercial and Financial Chronicle," dated Thursday, Nov. 18, 1943, and entitled, "Need Does Not Exist for Forced Limitation of Profits on Transactions in Securities," the sense and logic of your discussion are beyond comment.

We sincerely believe that you have summed up the situation exactly as it exists, that the large majority of over-the-counter houses are operated by men of ability and integrity who are a part of the community in which they live and who conduct themselves and their business on a basis commensurate with that situation. As far as profits are concerned, we see no reason for a ceiling, regardless of what that ceiling may be. This thought is prompted by our belief that good business dictates sound, sensible profits and, as said before, the large majority of investment dealers are good businessmen, who realize that excess profits as a result of wide spreads and large mark-ups in time can do nothing but "kill the goose that lays the golden egg."

We wish to express our sincere thanks for the publicity you are giving this situation and hope that it will prompt every investment dealer to use every effort to resist this deadly type of regulation.

DEALER NO. 75

Bravo! You are certainly to be congratulated for putting into print the feelings and reactions of the host of securities dealers who make an honest career in selling investment securities.

While we are members of the NASD we are bitterly disappointed in the timidity shown by the organization in leading the fight against the SEC's attempts at discrimination towards our industry. At a meeting in 1942 the writer similarly pointed out the unfairness of such discrimination in limiting the profit for individual initiative while permitting units in other industries to make mark-ups in their products of fabulous proportions. We, the dealers, who marked clearly labeled merchandise, by a test are shown to have averaged profits of 5%. But the SEC not being satisfied with this house cleaning is asking for further concessions. **The results of the NASD's investigation is based on the successful trades but how about the trades we dealers failed to complete because the customer checked prices and got it cheaper elsewhere despite the fact that the salesman or the house spent a lot of time in digging up and presenting the information?** It takes a long time to build up the customer's faith in the salesman and the house yet the retail store being merely located on a busy thoroughfare and getting its business from the traffic that passes its location is permitted mark-ups from 50% to 100%, on merchandise that is blind and can't be checked by the consumer.

How many industries could be canvassed today or any other day and show their houses to be in as good order as the securities dealers? It is a known fact that many companies, having their first taste of governmental supervision through the OPA, have thrown up the sponge and admitted that they are violating the laws and just can't do anything to avoid the situation. We have had almost ten years of supervision and instead of being slapped on the back and congratulated, we are to be subjected to further regulation. Carry on the fight, Mr. Editor!

DEALER NO. 76

You are, of course, to be commended for carrying the lance for the bulk of the country's investmest dealers in the various injustices which have been heaped upon them; or more correctly, directed at them. The power of your publicity has thwarted several malodorous SEC gestures which have found their way to the bottom of the scrap basket.

It is increasingly evident that those directing the affairs of the NASD have been trying to crawl in bed with the SEC. This thought has been openly expressed from time to time and always met with the fear complex that if we don't do this and that they (the SEC) will crack down on us completely.

It is deplorable, that in a Nation which has been built by courage and daring and largely through speculative channels, to find a group of men who have devoted entire careers to the investment business, herded now into an organization which quivers and appeases. Now it is the profits limitation plan, probably an appeasement to the bid and asked disclosure plan of the SEC. All of these rules and regulations which have come to us with the New Deal start off with some phrase which would lead you to believe you are a criminal being headed for trial. Dr. Benjamin Anderson sounds a note of courage when he says we can do without the SEC; that where good conduct and fair dealing are lacking, a strong penalizing power should be invoked.

It is a sad commentary on all of us that the fear of reprisals make our contributions anonymous, as this must be. Your valiant championship, I am sure, is appreciated by all of us.

DEALER NO. 77

I recall seeing figures sometime ago to the effect that of the people who trade the market, 4% do so profitably, 4% break even and the rest lose. The figures were supposed to have been compiled by some insurance company. My quarrel with the percentage was that they were to liberal on the side of those who profit and break even. There were many in and out of the securities business who agreed with me. I thought that the solution to the problem was study and trading without emotion.

Comes now the NASD with the solution. All one needs to join and increase the percentage of those who trade profitably is to have the dealer publish his profits. There is the result of the mental effort of centuries. I wonder if this intellectual result was SEC inspired. Here's the solution to all our problems, social as well as financial. Let each one disclose what he makes, in terms of the monetary unit, and there will be no problems.

I am not a member of the NASD, never was and don't intend to join—not even if the name is changed. Incidentally no NASD member has ever refused to trade with me because I am a non-member.

I had thought that one answer to our problems was to put some guts into our abdominal cavity and to develop the reasoning power of the organ that occupies our cranial cavity. Carrying that thought a bit further, it seemed to me to be logical to try a program of

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Brownell Replies To Sakolski on Bimetallism

(Continued from page 2207)

and down with supply and demand. When the bullion value of the sovereign exceeded its face value, the coins were either melted down and sold as bullion or went into hoarding and disappeared from circulation. When the gold value fell below the value of the coin, the coin became, to a corresponding extent, of token value. It was not until 1844 that England finally solved this difficulty when, by Act of Parliament, the Bank of England was directed to stabilize the price of gold, which it did by buying all the gold that was offered, at a fixed price (equivalent in our money to $20.67 per ounce, delivered to a United States mint), and selling whatever gold was required at the same price, plus the small handling charge of 3½ pence per ounce.

The Bank of England had little difficulty in thus pegging the price. Once its policy was known, it rarely had to buy or sell any very great amount of gold, since other nations and the market at large accepted the price as settled and no serious effort was ever made to break it. The price, thus pegged, did not change for 90 years, when the United States raised it to $35 in 1934.

The price of gold, pegged in 1844, remained absolutely constant, notwithstanding the fact that the greatest gold fields the world has known were thereafter discovered—California, Australia, South Africa, Alaska, Canada, etc. The annual production of gold varied very greatly from time to time, gradually increasing from less than 2,000,000 ounces in 1844 to over 25,000,000 ounces in 1933, the last year of the $20.67 price. But the price, being pegged, remained at a constant level throughout.

Pegging the price of silver and continuing a pegged price of gold make any fluctuations in either price impossible. No changes in ratio could happen because of increase or decrease in production of either metal. Gresham's Law would have no opportunity to work.

Dr. Sakolski airily dismisses all thought of an international agreement to adopt bimetallism, as equivalent to "an attempt to control weather conditions or the movement of the waves and winds." Great Britain alone was able to peg the price of gold. Certainly, Great Britain and the United States together can peg the price of silver, for the United States has done it alone for some years past. When we have seen the "tripartite monetary agreement" of 1936 adopted by a number of leading countries, when we read of the current negotiations among representatives of 30 nations on the White plan for monetary stabilization, and when we remember the long period in which the Latin Monetary Union functioned in Europe, Dr. Sakolski's pessimism on this score is obviously baseless. After all, what is the international gold standard itself but an implied agreement among leading countries to buy and sell gold at a fixed price?

Professor Sakolski mistakenly assumes that I was concerned in my paper on international bimetallism solely with the increased use of metal coins as circulating medium. I do think that the devastated countries of Europe and Asia which are now in the throes of a paper money inflation will want to return to the use of metallic circulation, to hard money, after the war. However, regardless of whether metal coins actually constitute the bulk of a nation's circulating medium, the restoration of stable monetary conditions requires that all countries have adequate **reserves** of mone-

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Public And Private Investment After The War

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of secular stagnation and recurring crises from which there is no escape except through the intervention of government, which must either expand public investment or tax out of existence the excess savings which are poisoning the economy. In short, the private economy has become a cripple, and can survive only by reliance on the crutches of government support.

This defeatist philosophy is rationalized by an imposing conceptual apparatus and a special technical jargon. We read of the marginal propensity to consume, the marginal efficiency of capital, liquidity preference, the multiplier, leverage, leakages, the acceleration principle, and so on. The mathematicians follow hard on the heels of the theorists with their still more puzzling lingo of coefficients, correlations, functions, regressions, and parameters. All this creates an impression of esoteric wisdom beyond the ability of the ordinary citizen to criticize or refute.

Although the implications of this doctrine may go counter to his long-established beliefs, the layman is eventually constrained to accept what the experts tell him. That the experts are divided on this as on other questions he is only dimly aware, so ably and aggressively have the champions of this philosophy disseminated their views in recent years. While we compliment them on the brilliancy of their campaign, we must in justice add that they have enjoyed almost exclusive use of the vast educational and propaganda resources of the Federal Government. In any event their success has been so sweeping that their views have won widespread acceptance even among business men. The effect on public opinion has been subtle and insidious. It is due in no small measure to this new revelation that the country has come to distrust its own power to advance economically, or even to survive, without continuous aid and support from Government.

It is futile to deny the truth—if it is the truth—merely because we find it unpalatable and distressing. However, when we are told that an economic system under which the country has grown and prospered for 300 years has suddenly contracted in these later days an incurable disease and must hereafter subsist on the stimulant of extraordinary government investment, we have every right to demand that the doctors who advance this diagnosis assume the burden of proof. Let us look at the evidence.

Declining Rate of Population Growth

It is possible to present a theoretical argument that a reduction in the rate of population growth tends to diminish the opportunity for private capital investment. It is possible to argue also that it tends to reduce the volume of savings that have to be absorbed in such investment, hence that it presents no problem. Without using the limited time at my disposal to review these contentions, I merely point out that there is no real historical evidence that the tapering of population growth brings economic stagnation. The relative increase in population in this country began to fall off shortly after the middle of the last century, and had been reduced by more than half before 1929. Do we find evidence of increasing economic stagnation as this decline proceeded? On the contrary, the first three decades of the twentieth century showed a more dynamic and sustained prosperity than the last three decades of the nineteenth. Moreover, if we look outside the United States we find no credible evidence that countries near their population peak have been in general less prosperous than others with high rates of increase, or even than they themselves were in earlier stages of their development. Until they can supply some real substantiation of their lamentations, the "maturity" economists would do well to give us a rest on this theme.

Passing of the Frontier

Great emphasis is laid on the investment opportunities opened up by the development of new territories such as our own West. No one will deny that a considerable part of the new capital formation in this country during the nineteenth century was incident to the conquest of the frontier. So what? Are we to infer, with the mature economy theorists, that because the geographical frontier has disappeared we confront a dearth of investment opportunity? The western frontier vanished fifty years ago. If its passing created an investment vacuum, surely we would have heard about it long since. We are fortunate in having reliable estimates of private capital formation in this country since 1879. The record shows no evidence that the passing of the frontier reduced investment even relatively. The first three decades of this century showed about the same ratio of private capital formation to national income as the last two decades of the preceding one, and if anything a higher rate of growth in the real national product. To invoke the vanishing frontier a half century after the event to support a gloomy view of the future of private investment is to rattle dry bones.

Dearth of New Industries

One melancholy refrain in the writings of the "mature economy" school is what they conceive to be a present dearth of new industries of major importance from an investment standpoint. It is the practice of these writers to explain the vitality of private investment in the past by reference to some so-called "new" industry then in a phase of rapid growth. For the early decades of the nineteenth century they cite turnpikes and canals; for the remainder of the century, railroads. For the early years of this century it was the electrical industries; for the post-war period, the automobile.

This interpretation of economic history reminds me of one of Nietzche's aphorisms: "The man is a thinker; that is to say, he makes things simpler than they are." No one will deny that these industries stimulated investment in the periods with which they are so glibly identified, but it is easy to exaggerate their importance. Capital formation is a tree with a thousand roots. The great bulk of its nourishment comes always from long-established industries, not from new ones. Even in the periods of their greatest relative contribution, the railroads, the electricals, or the automobile composed only a minor fraction of the total current investment, and were dwarfed by the single industry of building construction, one of the most ancient of all outlets for capital.

The railroads expanded their investment after 1900, when they were supposed to have yielded leadership to the electrical industries, more than they had done prior to that date. The electrical industries in turn increased their investment more during the alleged leadership of the automobile than during their entire previous history. But this is not all. More money was invested in railroads during the era tagged "electrical" than in the electrical industries themselves, while more was invested in electrical lines during the era tagged "automotive" than in the automobile industry. Moreover, the investment in railroads and electricals together during the "automotive" era (the decade of the twenties) exceeded by a wide margin the investment in the automobile and satellite industries, plus the investment in highways and in petroleum production and distribution which can reasonably be credited to the influence of the automobile. For this same period the investment in all these current and former leading industries was less than 20% of the total capital formation of the country. This illustrates the gross oversimplification and exaggeration inherent in the bellwether industry theory.

The necessity for a spectacular "new" industry for the support of private investment, if it ever existed, is definitely past. In a primitive economy a single invention like the steam engine can have a revolutionary impact, but the chance for such sensational effects diminishes as the technology becomes more highly elaborated and complex. Progress becomes diffused in thousands of innovations of less consequence individually but with cumulative effects just as dynamic, and just as stimulative of investment, as the single revolutionary invention in a simple society. The important thing is the total flow of technological development, not its concentration.

With the expansion of industrial research technical progress is not only accelerated but made more even in flow, thus eliminating the gaps between major inventions which affected the continuity of investment opportunity in an earlier day. When we recall that expenditures for industrial research are now three times 1929 and twelve times 1920, we must acknowledge that we have a new and potent engine for creating investment opportunity on a wholesale basis, the implications of which the Jeremiahs of the mature economy have failed to grasp.

This already accelerating pace of technogocal advance has been stepped up tremendously by the impact of the war, which has in many cases telescoped into a few years what would otherwise be the progress of decades. We face the post-war era with an unprecedented accumulation of new materials, new techniques, and new products, that will create hundreds of new industries and revolutionize scores of old ones. I can even see several industries that within the next decade or two may rival the much-touted bellwethers of the past in the opportunities for investment they open up. Aviation is one. Prefabricating housing is another. Each of you, I am sure, can name candidates of his own.

If we have an insufficiency of private investment after the war it will not be because we lack technological opportunity. This is one respect in which the situation will be almost fabulously propitious. The supposed dearth of new industries is a scarecrow.

Increasing Importance of Depreciation Reserves

This is perhaps the most extraordinary item in the catalog of sorrows that constitutes the theory of the "mature economy." Let me introduce it by quoting from Dr. Hansen's testimony before the Temporary National Economic Committee:

"When a society has accumulated a vast amount of capital goods, it is evident that the mere expenditure of depreciation allowances provides wide scope for continuous improvement of plant and equipment. The larger the amount of capital equipment, the larger will be the depreciation, depletion, and obsolescence allowances which are available each year for capital outlays. Frequently large portions of these allowances are available not merely for renewals and replacements but even for new and additional equipment. The expenditures from depreciation and depletion allowances may often have no relation to any specific worn-out machines. Newly built plant and equipment will not need to be replaced for many years and sometimes even decades, yet the annual depreciation allowance on

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December 2, 1943

Public And Private Investment After The War

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such equipment will be available year by year for expansion.

"Obviously, a society with large depreciation and depletion allowances can modernize and improve its capital equipment in producing continuously new technics and even at times expanding its plant and equipment without tapping any new savings."

This statement reveals a very curious conception of the process of capital formation and investment. It implies that the investment opportunities available in any given period are a fixed and predetermined magnitude, and that if they are used up by the expenditure of funds reserved by business enterprises for depreciation there will be no outlet left for the investment of personal savings. The latter are shouldered out of the picture, to stagnate in inactivity. Nothing could be more unrealistic. There is no fixed or predestined volume of investment opportunity to be divided up between the internal funds of business organizations and the disposable savings of individuals. Investment is a dynamic and cumulative process which creates opportunities for other investment as it develops. The expansion of one enterprise from internal funds may stimulate expansion elsewhere from external funds, and thus provide indirectly the outlet for personal savings that it fails to provide directly. The Ford Motor Company absorbed no personal savings after the first few thousands of dollars, but the outlets which its development and activity opened up in other companies and other industries have been tremendous.

Enterprises absorb outside funds when they are expanding too fast for their available internal funds. We have always had companies, even in our most prosperous periods, that have grown almost entirely from internal sources, Ford being the classic example. We have always had others, the American Telephone and Telegraph Company for instance, that have resorted more or less continuously to the capital market. Still others have absorbed outside funds in a sporadic and highly irregular manner. This pattern has not proved in the past incompatible with the absorption by business enterprises collectively of a sufficient volume of personal savings. Has anything changed recently to convert the internal funds of business into a menace?

It is sometimes argued that the systematic accrual of depreciation allowances by business enterprises which has become almost universal since the enactment of the income tax, has augmented their internal funds relative to business capital formation, and has therefore diminished the share financed from personal savings. Before the First World War depreciation allowances were frequently sporadic and highly variable in amount, sometimes even nonexistent, but we must remember that the internal funds of industry include not only these allowances but also retained income. The plowing back of earnings in this period was very heavy. I know of no credible evidence that since 1913 industry as a whole has financed any larger fraction of its capital formation from internal funds than it did under comparable conditions before.

Dr. Hansen refers to the natural increase in business depreciation accruals as we expand the national stock of productive capital goods. What of it? Granted that these accruals have grown and will continue to grow in absolute amount, does this mean that they will be larger **in relation to the opportunities for further capital investment?** There is no reason to think so, unless we **assume** that the "mature economy" is here. Certainly we cannot **prove** it is here by **assuming** that it is. A rise in the proportion of business capital formation financed from internal funds would presumably be one of the **effects** of the mature economy, rather than one of its causes. As a generative factor it is a false alarm.

The Depression of the Thirties

Declining population growth, the passing of the geographical frontier, the dearth of new industries, the increase in depreciation allowances—these are the four horsemen of this new apocalypse. They are spectres, conjured from the fear and frustration of the great depression to explain that unparalleled calamity.

That the American economy was ill during the thirties none can deny. It is undeniable that this illness was the gravest and most prolonged in its history. To the prophets of the "mature economy" it represented the first sudden onset of a chronic malady destined to leave the system with a permanent functional deficiency to be made good by continuous injections of government investment, like the insulin of a diabetic. I have a different theory of the depression, namely that it resembled an attack of pneumonia on a strong man who had never in his life had anything worse than a severe cold. We must not assume that he cannot regain full health and vigor, or that every time he contracts a cold in the future it will turn into pneumonia. He may never have it again.

If I may continue the figure, why did he get pneumonia this time and not before? The occasion does not permit an adequate discussion of this question, and I shall simply indicate my belief that the illness did not signify anything **fundamentally** wrong with him, much less anything commensurate with the gravity of the attack. The doctoring was inexpert, treatment was tardy and inadequate, complications were allowed to develop, and what might have been simply an attack of grippe went into pneumonia. I am sure that the seizure was not due to the four horsemen of the "mature economy."

Declining population growth? Changes in population growth rates are glacial in movement, a statistician's dream of orderly gradualism. Why should a trend that had proceeded harmlessly for three-quarters of a century suddenly turn malignant in 1929? The vanishing frontier? A tired ghost, exhumed from the grave of yesteryear. The death of new industries? Why was the supposed dearth suddenly manifest in 1929, without warning, on the heels of a vigorous investment boom? Surely the rich and varied technological progress of the twenties did not abruptly reach a stalemate at that point. The increasing importance of depreciation reserves? I am at a loss to see that this had anything to do with the case.

If these factors fail to explain the collapse of 1929-32, they fail also to account for the halting and half-way recovery that followed. Why did we stand in 1939, seven years after the turning point of the depression, with 10,000,000 unemployed, still reaching for an elusive prosperity like Tantalus for the mocking fruits? Was it because of declining population growth? Our labor force had expanded by almost 6,000,000 since 1929, the number of families by 5,000,000, increases only slightly below those of the previous decade. Was it a dearth of inventions? More patents were issued in the thirties than in the twenties. Was it because the increased internal funds of business enterprises had excluded personal savings from investment? The total of such funds in the thirties was only a third of the total for the twenties. No, it was not for these reasons that among the great nations we had the poorest recovery from the depression, with the possible exception of France.

The Prosperous Twenties

The "mature economy" theory explains neither the great depression nor the prosperity that preceded it, a fact that has been tacitly admitted by its proponents as to the prosperity but not as to the depression. The vigorous activity of the twenties has always been something of an embarrassment to them, and they have been impelled to find special reasons why the economy, in the face of the unfavorable trends which they assume, enjoyed one of the best decades in its history. Why did it defy the slow doom inherent in its maturity? They conclude that it lived in that decade on borrowed time, under a reprieve from its predestined fate. Time does not permit an analysis of the factors that are said to have suspended this sword of Democles for a decade, but in my judgment they do not support the inference that the twenties represented the last era of natural prosperity, or that opportunity for private investment will be inadequate in the future.

It is always easy, in retrospect, to identify the principal elements in the capital formation of a prosperous period, and always possible to point out that if they had not been present there might have been no prosperity. That is all that this enumeration of special factors in the twenties amounts to. Each wave of prosperity has its own combination of elements, differing sometimes sharply from the preceding one. For this reason it is absurd to predict a dearth of investment opportunity in the future merely because we cannot envisage a repetition of the pattern of the last boom. This sort of forecasting has been indulged at intervals for a hundred years, with results that have always proved laughable. The exponents of the "mature economy" are the modern exemplars of this prophetic tradition.

Post-War Investment

I come now to the goal of this discussion, public and private investment after the war. One conclusion is obvious: if private investment, together with normal public investment, fails to support a satisfactory level of production and employment it will **not** be because the economy has become "mature." It will not be because of population factors, or for lack of a dynamic technology. Nothing in the purely economic or technical situation indicates that private investment will have to be propped up by public investment not desired for its own sake.

Indeed, the situation is so favorable for a boom after the inevitable transition period that many economists are more worried about how to control it than about a depression. An unprecedented accumulation of liquid funds in the hands of individuals and business enterprises, a tremendous deferred demand for most categories of durable goods, and a very heavy volume of exports—these are potentially the makings of a dynamic movement. I do not imply that we will necessarily and inevitably have such a movement, but simply that it is in the cards if we play them well. Our capacity in recent years to frustrate and inhibit business expansion obviously called for by economic and technical factors has amounted to pure genius, and may again prove equal to the occasion.

A sound public investment policy for post-war should be based on the premise that private investment can again carry its proper load. This does not mean that the **timing** of useful and legitimate public investment should disregard fluctuations in private activity. Appropriate timing can contribute substantially to the stabilization of production and employment. It does mean, however, that we should not seek a permanent expansion in the role of public investment **for the purpose of supporting the economy.** We should renounce unequivocally the demonology of the "mature economy," with all the incantations and exorcisms appurtenant thereto.

But this act of renunciation, though essential, is not enough. If we have eyes to see we must recognize that the severe depressions which have afflicated the private enterprise economy at intervals at least since the industrial revolution are rapidly becoming intolerable politically, and must be substantially alleviated if the system is to survive. The admission that the collapse of 1929 was not due to the maturity of the economy does not erase the event itself, or make its repetition any more acceptable. It merely avoids a mistaken diagnosis. The problem remains. I am convinced that its solution cannot be achieved by industry single-handed, but only by the enlightened and friendly collaboration of business, labor, and government.

Organized Efforts To Upset NASD Profit Limitation Decree Inevitable

(Continued from page 2214)

education in the field of finance. How naive of me! Why waste mental effort when the desired result can be obtained by knowing the dealer's profit.

I am deep in the second decade in the securities business. My education was entirely in the field of economics and finance. Until the present, I did not know that all that was needed to achieve financial success was a profit disclosure on the part of the Securities Dealer.

I am considering liquidating my business to trade as an individual with one of the NASD'ers—who is a member of the group that discovered the new method of joining the ranks of the financillay independent. Those who would like to have my account please get in line, on the left. GIMME A NUMBER.

DEALER NO. 78

We agree entirely with the reasoning in your article and, in addition, we feel that the policy discussed has a further shortcoming, in that it totally disregards the value of the service rendered by a dealer; in other words, whether or not a security is presented after the expense of research and professional study, all of which has quite a bearing on the value of the services provided. A doctor's charges are based on his ability as a result of expensive study, whereas a druggist simply fills the doctor's prescription.

DEALER NO. 79

I refer you to a letter from dealer No. 64 in the Thursday, Nov. 25 issue, paragraph 5.

From reading the article, I assume he believes that a retail house can make 5% from his sale price to his client. That is incorrect. The way the NASD locally have interpreted it, and they claim it's national, it is 5% above your cost, which makes a few cents difference on a low-priced transaction, but it amounts to something on a high-priced transaction. We tried to tell them we never heard of anyone doing business on this basis, and we showed them that, for example, if we bought a block of bonds from a corporation at par, and they allowed us a 5% commission, we would buy the bonds actually at 95 and not 95¼. We had quite a little discussion on this item, as all dealers have always figured they could make 5% on the actual sales price and not 5% from their actual cost. While I don't see where they actually laid down this law, nevertheless the local NASD advised us that that is the strict interpretation of the rule. However, I have yet to see the ruling in print.

As in my previous correspondence, do not quote me or the town as they will certainly know where the whole thing came from.

DEALER NO. 80

As time passes we are becoming more and more disgusted with the NASD. This organization has innumerable possibilities for constructively assisting the profession but their efforts have been devoted, for the most part, to the promulgation of restrictive rulings.

Our firm stands ready to make an initial contribution of $50 towards the organization of an association which will truly represent and defend the best interests of the unlisted security dealer. We suggest that any other readers who are in a mood similar to ours write you if they wish to join their contributions with ours. If a sufficient number respond our names can be released to a responsible security dealer who could then put in motion plans for an organization to qualify under the Maloney Act.

We respectfully request that you withhold publication of our name until you have obtained an indication of others' sentiments.

DEALER NO. 81

The NASD action should be seized by we, who are members and who suffer, and used as a stepping stone to make our "last ditch battle" and force elimination of the SEC itself in this nation. You may quote me. I have been in business for 40 years—18 years in Portland and 22 years in Chicago.

Portland, Ore., Nov. 17, 1943. F. B. ANDREWS.

DEALER NO. 82

The SEC and the NASD are dominated by IBA minded men in the business and have no idea of the business as it is carried on by the small dealer. I am rendering a service to a class of customers who are not the sophisticated class. Most of them buy for investment and income and are not bothered about the price or what the profit is. This business has been built by years of work and acquaintance with my customers. I have established myself locally and am not thought of as our trade association would lead one to believe after reading some of their outbursts.

I am not strong enough to incur the wrath of the SEC or the NASD and therefore request that you keep my name anonymous.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Donald M. White, member of the Exchange, retired from partnership in Hackney, Hopkinson & Sutphen, New York City, effective Nov. 24.

Mrs. F. R. Sincere will retire from special partnership in Sincere & Co., Chicago, on Dec. 1.

Charles Tifft, member of the Exchange, died on Nov. 14.

Inflation Prospects and Investment Policy*

(Continued from first page)

would be a very bad thing both for the typical investor and for the typical business man; and that, if at all possible, it should be prevented. I want to insist that one of the best means to prevent it is for you and for all of us to assist the Treasury Department in its effort to convert high-potential inflationary money into the form of much less inflationary Savings Bonds.

Prof. Wright raised the question whether the existence of a large amount of redeemable Treasury securities will not contribute to inflation during a period of depression. It seems to me, in the first place, that such a fear is somewhat contradictory, because during a period of depression bond redemptions are more likely to counteract deflation than to cause an active inflation. But, more fundamentally, I would insist that if the United States Government has been able to raise $50,000,000,000 of new money during a single year of war, it will have no difficulty in meeting whatever problems grow out of the replacement of some securities by others during any period after the war. Of that I am absolutely certain.

Now, with respect to the program of my address, I have four things in mind. First, to tell you what I am going to talk about under the title of "inflation"; secondly, to consider whether or not we shall have it; thirdly, to indicate how an investor can guard himself against it, assuming we shall have it; and fourth, to consider inflation safeguards with relation to investment programs in general. That may well sound like a fairly coherent and well-connected program for an address, but I am afraid that my answers will not be merely as straightforward and consistent as the questions themselves.

By inflation in this context I mean that degree of rise in living costs from present levels which would warrant the purchase of different securities than the investor would otherwise select. The investor that I have chiefly in mind is an individual (or institution) who under ordinary conditions would have all his funds invested in bonds and limited-income fixed-value securities.

How great an advance in the cost of living would warrant a change in policy by such an investor? What I have in mind is a maintained rise of 50% or more from the present level. If that should happen, we would have an overall increase of just about 100% from the 1939 average—a figure closely equal to the advance after World War I from 1914 to 1926. If an investor expects this or more to happen he would want to rearrange his program so as to be able to count on a higher income than he now receives from bonds exclusively—and also to increase the value of his principal in terms of depreciated dollars. We are thinking, of course, of a plateau of higher prices continuing for several years at least, and not of a mere speculative upsurge followed by a quick collapse.

Let us now consider our first question, namely, "What are the arithmetical chances of high-level inflation taking place over a period of years to come?" In my view, there are three necessary conditions for such inflation. You need, first, a multiplication of purchasing power; secondly, a relative shortage of goods; and thirdly, an absence of determined efforts towards governmental control.

As you well know, the first two conditions are now present. But the third condition — absence of determined efforts at governmental control—is not present, and that is why we do not have a large scale inflation at the present time.

Looking forward to peace times and the completion of the reconversion period, it is clear that we shall have a very large potential supply of civilian goods. Therefore, the second condition, of a relative scarcity of merchandise, will not be met; and hence I do not consider that an active inflation will begin **after** full civilian production is restored.

There remains the relatively short reconversion period to take into account. As all of you are aware, there are two very divergent schools of thought on that subject. One emphasizes the possibility of a sudden withdrawal of governmental controls at a time when there will be very large purchasing power and a continued shortage of goods. If that is so, we may well have a very sharp upsurge in the price of commodities and in the cost of living. Against this there is the other possibility that with the shutting down of war plants and consequent unemployment we may have a relative business depression and deflation.

Here is a striking illustration of the unscientific nature of economics. The period we have in mind is quite short, certainly not more than two years; the facts that will confront us are pretty well known; and yet, there is room for authorities to express themselves in diametrically opposed fashion as to what will eventuate — that is, whether the net result will be highly inflationary or at least moderately deflationary.

My own opinion comes down to this: It seems to me that the probabilities divide themselves rather evenly in three directions. One is that we will have no serious inflation at all, even in the reconversion period, either because the unemployment problem will make for deflation or because governmental controls will be continued. That is one 33⅓% possibility. A second is that we may have quite a speculative upswing in prices, which will be followed shortly by a corrective recession or even depression of the kind witnessed in 1920-1921. The third equal possibility is that an advance in prices, caused by the relative shortage of goods, will set off a vast inflation which will continue and maintain itself in a higher cost of living for a number of years.

If my division of the probabilities of inflation is correct, the chances are two to one against a substantial and maintained increase in the cost of living. In other words, the mathemathical odds are against our having a high-level inflation over the next five to seven years.

Coming now to the second portion of my subject, I shall state a conclusion in apparent contradiction to the first. For even though inflation may not be probable I feel that the prudent investor will take the possibility of inflation into account and adjust his investment policy accordingly. For that view there are a number of reasons.

It seems to me that it is always desirable not to have to make a risky decision if you can follow a course that avoids substantial risk. It is not necessary for the investor to make a flat determination that there will be no inflation and hence that he can continue to hold a 100% bond portfolio. It would be more logical to follow a course which will provide some protection if inflation comes and at the same time need not involve loss should we escape inflation. To my mind the purchase of a diversified group of common stocks at or below present levels will supply this combination of advantages.

As Dr. Wright has indicated, common stocks have only a limited capacity to withstand the impact of high-level inflation. I agree with him on the whole that one cannot put his money in stocks and be sure that he will be immune to the adverse effects of such a disaster. But his figures do seem to show quite clearly that in the European inflations the diversified stockholder (not necessarily the shrewd buyer who selected particularly good stocks) did fare considerably better than the man who held only bonds or cash. For that reason I subscribe to the conventional view that for those who wish to guard themselves against influation a division of their funds between the bond and stock categories is far more logical than the holding of money in the bank or in the form of bonds only. An investor wishing to follow that program would normally put somewhere between 25% and 50% of his funds into the stock portion of his total portfolio.

In my opinion practically all the bond component should best be invested in U. S. Government obligations. At present relative yields these are clearly preferable to high-grade corporate securities.

As alternatives to buying common stocks the investor has the choice of commodities, real estate, jewels or works of art. There are special problems and hazards connected with each of these avenues of protection. They are definitely less suited than stocks for the investor who wants to play it safe both ways and be prepared either for inflation or no inflation.

One obvious advantage in buying sound common stocks is that the investor obtains from them a 50% higher yield than from standard bonds. Assuming he could count that no **reduction** in overall dividends will occur under inflation — which is certainly plausible—he is protected from the start against a 50% increase in his living costs.

As a further reason for diversification of investments between bonds and stocks, there is the unbalanced state growing out of the multiplication of cash and bond elements in our total economy. Cash and bonds represent at best intangible or indirect claims upon the wealth of this country. Common stock ownership, if properly assumed and administered, represents a relatively tangible interest in the national wealth. Even in the philosophical sense it would appear wise for the investor to put his affairs in such shape so that he owns both direct and indirect claims against our tangible, productive facilities.

There is a final reason I would like to add to justify my recommendation of stock investment as part of the investor's program—which is that sound common stocks, bought at sound prices, are always good investments. They are good investments not only when you are afraid of inflation, but also when you do not have inflation particularly in mind. I think the underlying stability of stock values is shown in an astonishing degree by the market's behavior in the last three years—a time which has offered an unparalleled challenge to our national life and institutions.

Most of you may be dimly aware that the industrial averages closed today at exactly the same price as was registered on the day war broke out in September, 1939. You may not be equally conscious that the maximum variation in price in those 3¼ years has been less, percentagewise, than for any similar period of time since 1895, except the relatively eventless years of 1910 to 1914. We have had an advance

(Continued on page 2219)

Canadian Government Securities

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Canadian Securities

By BRUCE WILLIAMS

The Canadian authorities are to be congratulated on the prompt attention which they have given to the question of United States shareholders' liability for inheritance taxes under the Succession Duty laws of the Dominion. Conversations are now being held between the Department of External Affairs and the State Department, with the object of negotiating an agreement whereby double taxation in respect of death duties will be avoided.

It is understood that representatives of the Provincial governments will be called in as soon as a working arrangement is evolved. In the meantime, the U. S. shareholders of International Nickel have recently received a circular letter which explains how Canadian inheritance duties can easily be avoided. Not only should such action allay the fears of shareholders in this country of Canadian companies, but it is also indicative of the proper concern of the Dominion Government in these matters, which, in many cases, are of a petty nature, but which sometimes have far reaching and unexpected repercussions.

Another welcome item is the report that the Montreal City Executive Committee has at last reached an agreement with regard to a debt reorganization plan, to be submitted to the City Council. The rate of interest involved is said to be 3¾% and the plan provides for repayment of the whole of the debt by instalments over a period of 35 years.

As previously mentioned, both in the case of the City of Montreal and the Province of Alberta, the nearer we approach the end of the war, the more urgent it becomes to reach a satisfactory settlement of these situations. Alberta has if anything more at stake than Montreal, as in the post-war period it has possibly greater prospects of development than any other Canadian province.

During the past week, the market failed once more to exhibit the long expected renewal of activity. However, large blocks of various City of Toronto issues, and also a considerable amount of longer term Nova Scotias, New Brunswicks and Manitobas changed hands. These transactions were the largest since the commencement of the Fifth Victory Loan drive and indicate that one of the principal causes of the market apathy is the lack of supply in any interesting volume.

Apart from this activity, there was little to record in other sections of the market. Direct Dominions were mixed and in most cases quoted slightly lower. Nationals were dormant and virtually unchanged. There was little turnover in Ontarios and Quebecs but the undertone was still firm. Scattered demands for British Columbias, Nova Scotias, New Brunswicks and Manitobas caused little variations in the price level, but Saskatchewans and Albertas were again a little easier.

Internal issues also were slightly under pressure with the free exchange market once more erratic on a small volume of offerings. It is possible that end year factors are now exerting their influence to a certain extent, and during this period this market is likely to be difficult to follow. As previously pointed out, the unofficial quotation of the Canadian dollar has little reference to its actual value, as the volume of transactions in the free market represents less than 1% of the U. S. Canadian Foreign Exchange total.

With regard to the market as a whole, there are a few signs of increased activity but, as in other markets, potential buyers have been deterred from effecting their normal operations by recurrent peace rumors. As soon as this uncertainty is removed, there should be renewed interest in the high grade investment class of security generally.

U. S. Trust Co. Joins N. Y. Clearing House

The admission of the United States Trust Co., New York City, to membership in the New York Clearing House Association was announced on Nov. 29. The decision to join the Clearing House is understood to have been influenced by the increasing volume of the company's banking business and by the numerous operating advantages which the Clearing House provides.

The announcement further stated:

"The United States Trust Company was established in 1853 with a capital of $1,000,000 which was later increased to $2,000,000. During its 90 years of operation the company has accumulated a surplus of $26,000,000 and undivided profits of $2,196,941. As of Sept. 30 the company reported total resources of $155,595,111 and total deposits of $123,321,090. Dividends to stockholders have been paid regularly since organization with total disbursements over this period in excess of $67,000,000.

"The company is headed by Williamson Pell, President, who is also a Director of Great Northern Paper Co., Atlantic Mutual Insurance Co., and the Greenwich Savings Bank, New York City."

The admission of the United States Trust Co. brings the number of member banks of the Clearing House to 21. In October, J. P. Morgan & Co., Inc., was admitted to membership—the first new member bank since 1931; this was reported in our issue of Nov. 4, page 1800.

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Public And Private Investment After The War

(Continued from page 2213)

industries, with considerable unemployment.

I do not agree that the widespread holdings of cash and bonds must inevitably produce an extreme price inflation once the war is over. While there will be shortages in certain areas (food and consumers' durables, for example), I do not think that the general over-all effective demand will outrun the prodigious capacity of the American economy to produce an adequate supply. Unless the general *over-all* demand outruns supply, there will be no *general* price inflation. Special areas of temporary scarcity can be managed by price control and rationing. These controls should be removed as soon as supply catches up with demand.

The fear of a sustained post-war inflation has been enormously exaggerated. This fear is based on a very crude and indefensible quantity theory of money. It is based on an exaggerated notion of the liquid cash holdings of the general mass of consumers. To begin with, while the volume of currency in circulation has risen to $19,000,000,000, we must not forget that the national income has doubled and that the currency needs of the country have for various reasons increased. Moreover, a recent survey indicates that of $55,000,000,000 of privately owned demand deposits, only $14,000,000,000 are held by individuals, the rest being held by business units and corporations. Of the $14,000,000,000 held by individuals, some considerable amount is held by the well-to-do. The amount of demand deposits, therefore, which the general mass of the public hold is relatively small. Moreover, of $160,000,000,000 of Government bonds, nearly $100,000,000,000 are held by institutions such as commercial banks, savings banks, insurance companies and Government trust funds. These institutions are not potential spenders. Only $25,000,000,000 of the public debt is in the form of savings bonds, of which some considerable fraction, certainly a third, is held by the well-to-do. Thus the percentage of bonds available for spending has been enormously exaggerated.

Nor do I think it reasonable to suppose that the public will cash in these bonds at once and engage in a wild spending spree. Following the last war, in 1919 and 1920, the savings of individuals reached an all-time high. While some will cash in their bonds, many are likely to add further to their nest-egg of savings.

Finally, and of utmost importance, let us not forget the tremendous safeguard against a major price inflation inherent in the prodigious capacity of the American economy to produce a vast supply of all kinds of goods. The war has taught us how vast is our productive power. Any nation capable of producing $200,000,000,000 of goods and services in a single year is in great danger of not finding adequate markets, but not in much danger of inflation. In all lines we have tremendous productive capacity. This is true not only of agriculture but also of our heavy goods industries, and of our consumers' industries in general. There will be temporary scarcities, yes; but by and large the American economy can swamp any prospective demand with a prodigious supply of goods adequate to prevent price inflation.

The post-war deferred demand boom immediately following the demobilization crisis is likely to be fed after this war, as was true after World War I, from: (1) outlays on inventories, (2) net export surplus, (3) outlays on industrial equipment, and (4) expenditures on consumers' durables.

After World War I, these stimulating factors petered out in about 18 months. They are likely to last longer, perhaps twice as long or more, this time. Yet it is quite clear that the demand for automobiles, for example, can be thoroughly saturated after say three or four years. Inventory accumulation and relief requirements will run out in perhaps two or three years. The high post-war boom for industrial equipment is likely to ease off rapidly as after the last war. Thus, after two, three or four years the deferred demand boom is likely to end in a slump unless we do something about it.

The answer is to push up construction to a volume of $15,000,000,000 to $18,000,000,000 per annum. I do not know of any other way to prevent the impending slump following the re-stocking boom. Total investment must be held at a high level and construction will be the only field left for stimulation.

We need now to plan to insure an adequate construction program to offset this impending slump. For example, there is much that we can do to insure a large private house building program. Unless we do plan for a large construction program long ahead, we shall again be forced to improvise boondoggling relief works to take care of unemployment.

We are discussing tonight public and private investment after the war. Why do we concern ourselves so greatly with the rate of investment? The reason certainly is not that expenditures on capital goods occupy any large part in the total economy. They do not. Percentagewise by far the greatest part of our productive activity—over 85% in fact—is devoted to the production of consumers' goods. Yet investment outlays, while relatively small, are of extraordinary importance. This is true first because it is new investment that makes possible a rising productivity and higher living standards, and second because the level of income and employment is peculiarly determined by the volume of new investment.

Let me illustrate this from the great depression which began in 1929. The essence of that depression, as indeed of all depressions, can be quite simply and plainly stated. There occurred a decline from 1929 to 1932 of private investment outlays from the annual rate of $17,000,000,000 in 1929 to $2,000,000,000 in 1932. This decline of $15,000,000,000 in private capital outlays caused unemployment in all the heavy goods industries and in turn induced a decline in consumption expenditures of $30,000,000,000. Thus the fall in investment had a magnified effect upon the economy causing a fall in income not of $15,000,000,000 but of $45,000,000,000. The national income in fact fell from $85,000,000,000 in 1929 to $40,000,000,000 in 1932. Had investment been maintained at $17,000,000,000, we can be sure that there would have been no decline in consumption expenditures. Here we see the great importance, therefore, of investment. A relatively small fall in investment will induce a tremendous decline in income and employment. Investment occupies, indeed, a relatively small part in our economy, but it is a dynamic and vital part. Unfortunately, however, as the record of a hundred years shows, the rate of investment is a highly uncertain and undependable quantity. It rises and falls and creates thereby, through its magnified effect, boom and depression.

You will remember the new era talk of the twenties. The belief had widely spread that now at last we would have perpetual prosperity. I observe again now a good deal of new era talk about the postwar. Yet we have a hundred years of experience, not to mention convincing economic analysis, to show that unless we do something about it, we can be certain that any postwar investment boom will again end in collapse.

Confronted with the serious problem of violent fluctuations in the rate of investment, what is the answer? Tnere are, I think essentially two solutions to this problem: (1) a compensatory public investment program, and (2) a cycle compensatory tax program. I am not able to develop a compensatory tax program in this brief time at my disposal. I would merely suggest that we now have at our command, thanks to collection of income taxes at the source, a powerful and effective mechanism for a compensatory tax program that can have a tremendously stabilizing effect upon our economy. I am compelled for lack of time to limit myself to the public investment aspect of a compensatory cycle policy.

Consider how a compensatory public investment program might have been used in the 1929 depression. The $15,000,000,000 decline in private capital outlays was unprecedented in amount, exceeding anything ever before experienced. The decline, once started, proceeded in a cumulative manner, each decline inducing a further decline. As income and employment fell there was less and less inducement to invest. Suppose the government had been prepared with an adequate compensatory investment program—useful public works and development projects—to counter the decline. Had this been done, it cannot be doubted that private capital outlays would have fallen by much less than $15,000,000,000, perhaps by no more than $6,000,000,000 or $7,000,000,000, and consumption expenditures would have fallen not at all. Thus a relatively small amount of public investment outlays, quickly and boldly thrown in, could have held the line and prevented the ever widening breach which brought us close to a national bankruptcy.

We need, however, not only a *compensatory* public investment program but also a *developmental* public investment program in order to insure an expanding economy. Let me illustrate in the international field. Everyone is agreed that there is scope for great industrial development in China, for example. Such development, however, requires, in the first instance, a basic development program including railroads, highways, port facilities, power development, and the like much of which involves public investment. Without this basic development program a general program of industrialization becomes quite impossible. Basic development projects are essential in order to open up the whole wide area of industry, manufacture, and trade on a large scale. Much of this basic development can be made only by public investment.

Our own past history affords numerous illustrations of the fundamental importance of a developmental public investment program. In the early part of the last century we undertook a huge internal development program. This involved the building of canals and other internal improvements. Later we granted enormous subsidies for the construction of transcontinental railroads. And more recently we have built a nation-wide network of free public highways involving vast outlays of public funds. We have made a beginning in resource development. In the Pacific Northwest, in the Tennessee Valley, we have already opened up private investment opportunities that could not have developed except for the basic public investment in these areas. In other parts of the country we have only scratched the surface. The Arkansas Valley and many other areas offer wonderful opportunities for development.

We have done almost nothing in the enormously important field of urban redevelopment. The rebuilding of the slum and blighted areas in our towns and cities obviously presents one of the major areas for private investment outlets in the generation that lies before us. But nothing will happen unless we develop a program, such as that provided in the Thomas and Wagner bills, now before Congress. If we are to have an expanding economy, we must search out public development projects which increase the productivity of the community, raise purchasing power and real income, and open new private investment opportunities.

The question is always asked: Does not such a program mean the end of private enterprise? I do not think so. A well conceived public investment program will enlarge the opportunities for private enterprise. The role of government under such a program would be a marginal one. It would operate in a small but important area in the whole economy—an area which could not be undertaken effectively by private enterprise. The government would not enter the general field of production at all. It would make those basic investments without which private enterprise would find its opportunities limited and restricted. A public investment program can and should be designed to stimulate and enlarge the volume of private investment.

The question is often asked, if the public can economically make these investments, why may not private enterprise itself do so? The answer is that only the government can take the larger view of the whole impact of a basic development program upon the economy as a while. The Tennessee Valley development has demonstrated already its profitableness from the standpoint of the whole economy. It has opened up new private investment outlets in that area, it has raised productivity and purchasing power, it has contributed to an increase in the national income. It may not return 100 cents on the dollar to the Federal Treasury, but the repercussions of the project upon the economy as a whole make it worth manyfold the public investment made. Private enterprise cannot undertake a development which does not offer an adequate direct return. The government alone can look beyond the direct return to the Treasury to the benefits accruing to the economy as a whole. If we are going to have an expanding and progressing economy in the decades ahead, we must search out useful and productive public development projects which can open up new private investment opportunity and raise the productivity and real income of the community as a whole.

All the available evidence which I have studied and examined, points to the conclusion that we shall need, after the war, to find each year investment outlets for about $25,000,000,000 to $27,000,000,000 of savings. Included in this figure are the savings of individuals, net corporate savings, depreciation reserves, and other funds for replacements and renewals.

Never in the past have we succeeded, except for brief periods, in finding sufficient investment outlets to maintain continuously high income and employment levels. We shall not succeed now unless we revitalize our economy by a well conceived program of expansion fed and sustained by public development projects. These involve public investment aspects of urban redevelopment, slum clearance, terminal and transportation facilities, river valley development, resource development, irrigation projects, flood control, reforestation, soil conservation, rural electrification, international loans and investment, and finally investment designed to raise the productivity of our human resources. A vigorous program of public investment can provide not only a compensatory and stabilizing balance wheel to our economy, but can also open and enlarge private investment opportunities, revitalize private enterprise and give us in the generation that lies ahead an expanding economy with high and rising levels of income and employment.

No modern society can endure for long the shock, the strains and stresses of serious deflation, depression and unemployment. In the 70's, 80's, and 90's of the last century we could tolerate them because we were then largely a rural, agricultural society. Highly urbanized and highly industrialized societies are extremely vulnerable to economic instability and economic depression. We can no longer take a laissez-faire attitude toward these problems. We shall get no place if we relegate the role of government to a do nothing policy. We have not even begun to adopt a positive and vigorous compensatory and developmental fiscal program. The spending program of the thirties was nothing more or less than a salvaging process. We salvaged the banks, we salvaged the railroads, we salvaged agriculture, we salvaged the 17,000,000 unemployed with work relief. We need a positive program to prevent depression, to maintain high levels of employment and income. Yet we are making right now no adequate preparations. We have done nothing so far which gives us any assurance whatever that we shall not again get caught in a devastating depression; and let us not forget that under modern conditions the national income can fall to substantially low levels within a few months. Our utter unpreparedness for such an event is a shocking revelation of utter irresponsibility. We shall remain unprepared until we are willing to adopt a positive compensatory and developmental fiscal program. We may fool ourselves by new era talk. But some day there will be a rude awakening.

In the November issue of "Fortune Magazine" there appeared a supplement devoted to reorganization of governmental machinery necessary to carry out a rational fiscal program. The program there suggested may not be the best, but it points the way to the kind of problem we ought now to be wrestling with. That way lies economic statesmanship. I am personally encouraged by the fact that I find more and more business leaders who are realistic enough to face these problems.

Brownell Replies To Sakolski on Bimetallism

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tary metals so that they can settle their balances of international payments, and thus prevent their currencies from depreciating in the foreign exchange market.

Since the United States today holds some 70% of the monetary gold of the world, other countries do not possess the metallic reserves needed to stabilize their currencies on a firm basis. The adoption of international bimetallism by inter-governmental agreement would vastly facilitate the provision of adequate monetary reserves to the nations of the world, since this country does not hold materially more than 50% of the world's monetary silver supply at this time. Hence, I believe the advocacy of international bimetallism is a major contribution to the cause of sound monetary conditions in the post-war world.

Attempt To Establish The "5% Rule" As A Recognized Practice Of Dealers In Securities

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tices, the Commission concluded, constituted fraud and deceit. We quote verbatim from the Commission's brief:

"The importance of fair price as the foundation of transactions between securities dealers and their customers is evidenced by the rules of the National Association of Securities Dealers of which petitioner was a member at the time of the transactions in question. Those rules provided at part III, paragraph 4, as follows:

" 'In "over-the-counter" transactions, whether in "listed" or "unlisted" securities, if a member buys for his own account from his customer or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that he is entitled to a profit. . . ."

" '42. It should be noted that the confirmation forms used by petitioner contain a specific statement on their face that ::All transactions shall be subject to the regulations and usages of the New York Stock Exchange or other Exchange or market where executed and/or subject to the recognized customs and practices of brokers and dealers in securities." ' **The quoted rule of the NASD clearly sets forth one of the recognized practices of dealers in securities.**

"A recent study of the mark-ups over the current market actually taken by members of the National Association of Securities Dealers shows that 47% of the transactions were effected at a gross mark-up over the current market of not over 3%, and 71% at not over 5%. See New York 'Times,' Oct. 26, page 31."

It did not require the vision of Nostradamus to prophecy that this would come about. Those familiar with the history of the Maloney Act and the setup of the NASD well know that the National Association of Securities Dealers was intended, and is playing Charley McCarthy to the Securities and Exchange Commission's Edgar Bergen. Anyone who says either directly or by implication that a 5% profit spread represents the custom and practice of dealers in over-the-counter securities has done so without proper search or understanding of the facts.

We criticize the citation by the Securities and Exchange Commission of the NASD rules and studies as authority because in our opinion that only tends to confuse the courts, unless direct evidence is introduced showing how these rules are arrived at and what safeguards are employed to attain correct results in these so-called "studies."

We believe these rules to be an inspired and manufactured product which do not reflect the practices actually existing among dealers and in direct contravention of the United States Constitution because they constitute an illegal delegation of legislative power.

We believe there is no necessity for a limitation of profits of any kind nor a duty incumbent upon any dealer to disclose prices. There should be no compromise. There is nothing in the past practices, customs or trade usages of the industry that would make this procedure mandatory.

What is to be done about all this—you will ask. Drastic surgery! Amputate the dread which the average dealer has of the supervisory power of the Securities and Exchange Commission and the NASD. The many letters received critical of those powers **asking in each instance that the writers name be withheld** are striking testimony of a fear characteristic of the existence of an "OGPU" or "Gestapo."

In the last analysis the courts are a refuge and courage must characterize business if it is to survive.

A spineless industry is a lost industry. Men must have the courage to protect their rights. Hiding behind anonymity will make the cause a lost one. Bureaucracy will continue its encroachments and by gradations democracy and free enterprise in business will die.

This is the time for courage. Fortright, unrelenting courage. Pure pragmatism dictates this because to many it must be courage to fight for rights or death, that is, commercial death.

We believe that over-the-counter security dealers should organize forthwith to protect their interest. Such organization should be militant and proceed at once to combat the efforts of the NASD in their relations to the over-the-counter security business. Proper safeguards should be exercised so that the activities of supervisory forces are kept within strict constitutional limitations and where those forces become oppressive instead of merely regulatory that they be completely deleted. There is urgent need for renaissance in the security field. The regulators are becoming more of a problem than the regulated. **An organization truly representative of the over-the-counter dealer fighting endlessly in his interest is the immediate vital need.**

Our Editor asked Messrs. Metz and Kole to read the recent issues of the "Chronicle" containing letters from dealers anent the NASD's profit limitation decree and to write this article reflecting their views on the course of action they think dealers should take in the matter.

The CHRONICLE invites comments on the views expressed in the article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York 8, N. Y.

Inflation Prospects And Investment Policy

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from the present level of about 15% and a decline from this level of about 30%. That has been the limited degree to which the market values of securities have changed due to the extraordinary conditions that we have lived through. This means, in turn, that the real values of common stocks must have varied over an even narrower range.

The fact that the stock market itself, the institution which you represent, has acquitted itself in such a stable and common-sense fashion during these critical years is a persuasive argument in favor of the inclusion of a group of common stocks in the portfolios of substantial investors. By "substantial investors" I mean not only well-to-do individuals but also the non-profit institutions which have large capital funds, and which have been facing the problem in recent years of whether or not they should deviate from their long established and sound policy of investing exclusively in bonds. My own conclusion has been, in the case where I was consulted, that such a deviation is justified under present conditions to the extent and for the reasons I have indicated.

Now coming to the question of what types of stocks should be purchased, I am afraid I am going to disappoint you by not having anything of great value to offer. I listened with great interest to Dr. Wright's historical distinctions between the behavior of one kind of stock and another. My own study of the matter leads to the conclusion that it is not advisable to make advance selections or predictions with respect to the relative merits of different stocks under inflation, except within very obvious limits.

It is clear, of course, that if you are seeking protection against loss of the purchasing power of money, you would not invest in bank stocks. For these represent primarily the ownership of money capital. It is also clear that you should not purchase railroad or utility shares, because of the relative inflexibility of their rate structures. But in the field of manufacturing, producing and trading companies, I am not at all convinced that the performance of groups of issues shown in the European inflation of a number of years ago would necessarily be followed under the conditions of inflation we might conceivably face.

My own inclination would be to emphasize rather the diversification of holdings among a variety of manufacturing enterprises, and even companies in wholesale or retail trade. The advantage of oil producers is quite evident, and this is shared—perhaps to a lesser degree — by sugar, metal and other raw-material enterprises. I do not believe that you can be certain, by laying greater emphasis on one category rather than another, to assure yourself of substantially different or better results.

I would agree with Dr. Wright that the investor should avoid common stocks with heavy prior debts. in the same way as he should shun trading on margin. The supposed lightening of debt burdens through inflationary conditions is more than offset by the unexpected complications that are certain to be met, and under which debt might well prove an embarassing handicap.

In our common stock selection it would seem logical to emphasize the possession of large tangible assets in relation to the price paid, as distinguished from "good will," which in Wall Street means the expectation of high earning power under normal conditions. We don't know what new circumstances will affect the established trend of earnings if we have inflation. I do feel that the ownership of assets considerably in excess of the price paid might turn out, under inflation, to be more advantageous than the payment of a premium above assets for the past earning power coupled with normal expectancy of increased future earnings.

This preference would mean a tendency to emphasize the selection of the secondary issues, many of which today combine both substantial asset value and adequate earning power—as compared with what might normally be a more exclusive interest in earning power alone. During the last few years, such emphasis on the secondary issues has been much more profitable than the conventional devotion to the market leaders. I rather feel that if you consider inflation as an important development to guard against there would be good reason to continue such a discriminating procedure.

Now I turn to the fourth subject, which is that of inflation-hedge policy in its relation to general investment policy. Although inflation forces add a reason, and a good reason, to the normal justification for stock buying, they also add complications as regards the selling of what you have bought. Under ordinary conditions, a bona-fide stock investor can deal with stock market fluctuations quite successfully. He can follow the policy of buying securities when prices are not particularly high (or preferably when they are definitely low) and he can sell them later when they do appear to be definitely high in accordance with well established principles of value. But if inflation is a real possibility, then there is no longer a well-defined selling range for stocks. The investor must hold even beyond the level at which ordinarily he would be impelled to sell—and by holding he must run a serious risk of missing an excellent opportunity for profit.

This drawback is an unavoidable one under the given circumstances. To deal with the problem generally I venture to submit a few concrete suggestions. The first is that the investor who wants to protect himself against inflation should buy only at prices which do not include payment of any extra premium for the inflation hedge. I believe this can be done at the present levels for most common stocks. Hence today's prices appear to me to be quite suitable for putting into effect such a program of protection against inflation.

Of course, there is a possibility that stocks will decline from present levels, and as usual after a recession there are many people in Wall Street who expect further weakness in security prices. But I would like to point out how minor this question is in the light of long-term investment policy. Suppose a 10 or 15% decline in prices from this level is a fair possibility, what sense would there be for the true investor to take that into account? In the first place, there is still a substantial chance that it won't happen at all, and, in the second place, if it does happen, there is a still greater chance that he will put his buying orders too low and miss his market. All my experience indicates that the proper method to buy stocks for a particular purpose is to buy them at once, unless you have a definite reason to believe that the price level is too high—which I do not believe is the situation today.

The second point for the investor is that as long as he believes there is a definite possibility of inflation he must consider himself bound to hold his stocks, even though the price may have advanced to levels which ordinarily would have been a signal to sell. That is the real risk he must run to gain protection against inflation — the surrender of the opportunity to sell out at a high level in the expectation of repurchasing at a considerably lower figure.

The relatively shrewd investor may wish to retain freedom of judgment and action so as to determine whether a rise in the stock market really anticipates inflation or is only a repetition of the usual cycle of speculative advances and collapses. Such an investor might be wise to take his cue from the bank borrowings and inventories of the typical manufacturing and merchandising companies. If you have a rise in commodity prices and stock prices, accompanied by an expansion of inventories and bank loans, then the investor who wants to belong to the shrewd class rather than to the conservative class would probably be well justified in selling out his securities. For almost regardless of inflation, the age-old law that a speculative fall follows a speculative rise is almost certain to be operative under such dangerous business conditions.

What I have said could be summarized by referring to a rule basic to both the stock market and business—which is that buying right is more than half the battle. If the investor follows the invariable principle of not paying higher prices than are justified by the underlying statistical facts, he will be in a relatively good position whether we have inflation or whether we don't. Furthermore, he can forego his opportunity to sell at the right time without courting disaster, because his underlying position will always be a sound one. You Customers' Brokers can render a great service to your clients by emphasizing this principle in your own advice to those people who wish to function as common-stock investors.

I have nothing to say on the subject of stock speculation, except that I am skeptical of the possibilities of success. But I do wish to express my unalterable opposition to that most costly of all financial self - deceptions — namely, calling oneself an investor and acting and thinking as a speculator. The menace of inflation, while it underlines the logical justification of common-stock investment, will tend to increase its psychological hazards. It will take intelligence and self-control on the part of both investors and their advisors to withstand these risks. If you assist your investor clients to remain common-stock investors, if

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NASD Profit Limitation Decree Violates Maxim "United We Stand, Divided We Fall"

(Continued from first page)

over-the-counter business; that the "big houses" operating on a narrow margin of profit are seeking to increase their volume of business at the expense of the "little fellow," who operates on a much wider margin of profit; that the corporate business, both listed and underwriting, wants to see the municipal business subjected to the same regulations suffered by the corporate business; that it is the small portion of the business that operates on the "ragged edge of scrupulousness" that causes all our troubles and should therefore be eliminated somehow, anyhow.

In short, there is, and has been for years, considerable bickering and fighting in the business itself. If this situation continues it is likely to be the means of the elimination of freedom for all of us. It would seem to be the better part of wisdom for all of us to consider the problems, not just of our particular phase of the business, but the problems of all of us, and act as a whole. United we **may** stand, divided we **will** fall. As Sam Pettengill so well put the situation, in an address before the Bond Club of Chicago last summer: "That is the great weakness of our free enterprise system. United, 'one for all and all for one,' it could defeat the enemy on every field. Dis-united it loses one battle after another."

Let us look at the record. First, perhaps, were the railroads, who lost their freedom to the ICC. Next, perhaps, was the radio, which has lost its freedom to the FCC. Then, in our own field, the corporate underwriting houses lost their battle to the SEC. Then, the stock exchange houses lost theirs. Next came the over-the-counter corporate business. Next on the program is the municipal business. During all this development, did we ever present a united opposition? Unfortunately, we did not. Did we ever in fact, all even appreciate what was happening to our associates businesses? Apparently, we did not.

Likewise, were the utilities left to fight their battle alone—and they, too, have lost. Let us but look around at the groups that are waging a lone battle against bureaucracy and socialism. The medical profession is faced with socialized medicine, and, although there is not one of us who would not be directly affected by such a panacea, there is not a one of us who is going to the aid of the doctors. The insurance companies right now are fighting their battle against government control—alone. For years the banks of this country have been crying out against the deadly competition they are fighting from government subsidized credit—but their cries go unnoticed. What help will we, as citizens, give to the newspapers and the Associated Press in their fight to preserve even the freedom of the press?

The plight of the stock exchange houses, of the corporate underwriters and of the over-the-counter business as a whole is unfortunate. But the solution to their problems does not lie in inflicting the same plight on the entire securities business, and pulling the entire business under the thumb of bureaucracy. Rather should the entire business work together to remove the shackles already placed on those of our associates who were left to wage their battle alone. Nor should such a battle against bureaucracy be confined to the securities business alone.

Recent election returns give strong indications that the spreading tentacles of bureaucracy have clutched enough people that the citizens of the country are sufficiently aroused to throw off this yoke en masse. Thus, we need no longer resign ourselves to the belief that governmental control is coming in ever increasing doses, and that there is nothing for us to do but make the best of a bad situation. On the contrary, the people seem sufficiently aroused that this appears an opportune time to resist with all the power we, as a group, can muster against the forces that are destroying freedom of enterprise in America.

The familiar maxim of "Divide and conquer" works as well in peace as on the battlefield. Not only have we in the securities business, but we as citizens have been divided, and we have been conquered in most battles against bureaucracy. Unless we close our ranks, we shall lose again, and again, and again. The immediate task for us, therefore, is to join together the entire securities business for our common good, rather than pull apart to our common destruction. The larger task is for us all as free men to join together for a united program against bureaucracy.

In the second place, it seems to me that the most effective means of combating excessive profits is competition. Not being a member of the NASD, I do not feel free to discuss their recent pronouncement regarding profits. Moreover, in the municipal business in which my firm engages solely, profits run far less than 5%—probably they average less than 1% even on purchases entailing considerable risk. But, do not be deceived in thinking that these profits are under 1% because of "conscience." The margin of profit is low because competition makes it so.

Undoubtedly, there are some people in the securities business who take undue advantage of their clients. Undoubtedly, there are people in this business of whom, or at least of whose practices we are ashamed. Undoubtedly, the vast majority of the dealers would like to see these people, this fringe of undesirables, removed from our midst. But let us be practical. The end may not justify the means. Assuming that it is possible to eliminate these undesirables, one should consider gravely any means of doing so, lest he introduce a remedy worse than the evil.

As a practical matter, one should realize that neither "conscience" nor morality can be legislated. Improvement in ethics comes from within the business, not from without, or above it. Consequently neither a profit limitation of 1%, 5%, or 10%, nor a "bid and asked disclosure rule" will improve on conscience or ethics. Let us therefore direct our action toward a goal that is attainable.

Cannot the NASD ferret out singly the culprits in the business without setting a dangerous precedent of a profit limitation on all the business? Cannot the SEC eliminate the long profit offenders, without punishing the entire business with such impractical, needless and expensive regulations as a "bid and asked disclosure" rule? It would seem possible, and practical, for either such body to ascertain the people in this business who are likely to act without "conscience" or without ethics, and eliminate them—to the great relief of the rest of the business, let it be emphasized. Any such action against a particular person, would be based on a consideration of the particular circumstances surrounding the particular case in hand, and should, therefore, in no way injure or embarass reputable dealers.

Such a procedure in individual cases may not eliminate all bad practices, but any practical person will admit that all such practices will not be eliminated in any business. Moreover, from a broad social viewpoint, it should be realized that unscrupulous people without a sense of ethics will likely act without conscience wherever they are, so that if they are driven from the securities business they will probably prey upon the public from some other business.

Nevertheless the aim of all of us, it seems, should be to remove from our midst the unethical contemporaries, not because they make a profit of over 5%, or over 10%, but because they are no credit to our business. But who is to decide what the standard of ethics will be? In the long run, competition will weed out the unethical dealers and salesmen, as it more quickly weeds out those who take excessive profits. There is no more powerful force than competition in leveling profits in all business to a degree proportionate with the risk. Likewise competition will eventually set the standard of ethics as it sets the standard of profits. Of course, there will always be some customers who will not appreciate the value of dealing with a house that practices good ethics. These customers among the public are as much a disadvantage to society as are the unscrupulous dealers, because without this non-discriminating "fringe" of public, the unscrupulous "fringe" of dealers could not exist. The "Greatest Show On Earth" was built on the premise that "There's a sucker born every minute." Until we eliminate the "suckers" among the investing public, we are not likely to eliminate those dealers who will take advantage of the suckers.

In the third place, the thing that is to be most regretted is the low estate to which our business has fallen when so many dealers are afraid to speak openly. The fear of reprisals has caused one writer after another to request that you not divulge his name nor the identity of his firm. Are these people—and they appear to be quite numerous—afraid of reprisals from the NASD, or from the SEC? In either event, it would seem that we have lost the courage even to discuss our own problems amongst ourselves.

What has happened to the government of the people, by the people and for the people—that the people are afraid to speak? Have we built a Frankenstein that will destroy all who raise a finger in objection? If such be our frame of mind, we are indeed in a sorry plight.

Unless we freely and openly discuss these, and other problems, we shall not only not solve these problems, but we shall be faced with others of even greater import. With a fervent belief in the value of sincere debate, I sign this letter openly and with a reliance upon the similar good faith of those who may disagree.

Finally, I want to congratulate you for pointing out so fearlessly in the "Chronicle" the broader aspects of this question. For many years I have felt that it is to be regretted that the entire capitalistic system did not have more defenders with the courage, and foresight that the "Chronicle" has shown on many occasions during its hundred year history.

J. AUSTIN WHITE.

Other letters received on the subject appear in this issue starting on page 3. Further comments are solicited by the Editor on the NASD profit limitation decree or any related phases of the subject. They will be published anonymously if the writer does not wish his name revealed. Communications should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York 8, New York.

Inflation Prospects And Investment Policy

(Continued from page 2219)

you discourage them from changing over into stock speculators, you will act not only in their interest but your own—for this policy will pay you and them the best dividends over the long pull.

Note—The Professor Wright referred to throughout Mr. Graham's article is Dr. Ivan Wright of Brooklyn College, whose address at the meeting is not given at this time since his views on the subject of inflation were covered rather extensively in two articles which were written by him and published in the "Chronicle." These papers, bearing the captions, "Managing A Business For Stockholders Through The Vicissitudes Of Inflation" and "When Inflation Comes, Deflation Cannot Be Far Behind," appeared in our issues of July 8 and July 22, 1943, respectively. Ralph A. Rotnem, who presided over the meeting of the Association of Customers' Brokers, is Chairman of the Association's Educational Committee.

Mr. Graham is a former Lecturer in Finance at Columbia University, is author of "Security Anaysis," President of Graham-Newman Corp. of New York and is connected with the Treasury Department as Associate Director of New York State War Finance Committee.

Acts To Protect White Collar Wages

In a move designed to protect the salaries of the large white collar class, employed in the New York metropolitan area, against the effects of the prospective abandonment of the Little Steel formula, Thomas Jefferson Miley, Secretary of the Commerce and Industry Association of New York on Nov. 9 telegraphed President Roosevelt, the Economic Stabilization Board, Office of War Mobilization and the National War Labor Board requesting an opportunity to present the Association's views before any new policy is adopted.

Mr. Miley, referring to a statement by William H. Davis, Chairman of the NWLB, that the Little Steel Formula may have to be abandoned, wired:

"If a new formula has to be adopted whereby rates are revised upward this will still further increase disparity between take-home pay of white-collar and production employees.

"Such a result would have serious effects upon this area. The center of management of the whole United States is the New York metropolitan area. Great numbers of white-collar workers are employed here.

"Strongly urge that while no limits be set on the take-home pay of production employees, nevertheless, consideration should be given to the lower take-home pay of office and professional employees and a sliding scale adopted to prevent distress among this class."

Discussing the relationship of wages to subsidies, Mr. Davis recently said he believed it was clear to everyone that increases in the cost of food will immediately result in a demand for higher wages on a nation-wide scale and that it undoubtedly would be necessary to abandon the Little Steel wage formula. Mr. Davis told a press conference that while he believed the Roosevelt Administration's stabilization program had worked thus far, it was entering the "doubtful period." This was doubly true, he indicated, if Congress managed to forestall the developing food-price subsidy program.

Municipal News & Notes

"Because of the importance of the subject and the interest evidenced in it" at the open meeting of the Municipal Securities Committee of the Investment Bankers Association during the course of the latter's convention in New York City early in November, a summary of a report on the Cochran County, Texas, bond redemption matter is being sent to all of the members of the IBA, according to an announcement by Dudley Smith, Municipal Secretary of the IBA. The report itself was presented at the open meeting by P. B. Garrett, of Garrett & Co., Dallas, who explained that the analysis was that of the Municipal Securities Committee of the Texas Group of the IBA and said that he was presenting it at the request of W. E. Knickerbocker, chairman of the group's committee, who was unable to attend the meeting. (Further below, we give the views of B. V. Christie & Co., Houston, Texas, regarding the situation.)

After reciting a brief history of the case "for the benefit of bondholders and dealers who are not familiar with it," the summary states that while certain members of the Texas Group accepted the decision of the Texas Supreme Court as final and have proceeded to effect such refunding contracts with counties which they "considered advisable," there are, however, "a large number of Texas Dealers who continue aggressively with their plans to exhaust every possible legal avenue to overcome the damaging effects of the Cochran County decision." These dealers, the summary says, have recommended against surrender of bonds "in accordance with the call" in the belief that during the "next year" decisions will be rendered on many questions raised by the Cochran County decision, "which, in our opinion, have not yet been settled."

The summary then observes that there are many questions still to be settled, "even on the bonds directly affected by the decision and, therefore, additional litigation was recommended." Mention is made of the suit recently filed contesting the efforts of Tom Green County, Texas, to refund an issue of courthouse bonds, the original issue of which was sold by the county on a "contract which specifically stated the bonds would mature serially without option of prior payment." In addition, it is said that plans are also being made to file suit on another issue of bonds in the Federal Court and, the summary points out, "the litigation will require time, but certainly it should be well worth while when the benefits to the bondholders which may be derived from it are considered." Continuing, the summary says:

"The decision of the Supreme Court was such a shock to dealers and many municipal bond attorneys that it was felt necessary after studying the decision to determine whether or not it might possibly affect any other bonds. W. P. Dumas and John D. McCall, both nationally known municipal bond attorneys of Dallas, studied the matter and reached the conclusion that other classes of county bonds might possibly be affected under a strained construction of the law and have rendered opinions expressing these views. They considered that the bonds **directly** affected as a result of the decision are original voted issues for the following purposes:

1. Courthouse and jail,
2. Homes or schools for dependent and delinquent boys and girls,
3. County poor houses and farms,
4. Bridge construction,
5. Maintenance of public roads.

"The bonds which may **possibly** be affected are the special road and road district issues which were supported by an unlimited ad valorem tax, bonds issued to refund the original voted issues above specified, and certain non-voted county bonds authorized by a special act of the Legislature. The question of the decision affecting these other classes of bonds cannot be settled without direct test cases, and it is anticipated that test cases will probably be brought at an early date on a number of these issues.

"A notice to bidders has recently been issued by El Paso County. It is quite possible the notice may bring about a contract which may result in the various issues being tested in the courts. The date for receiving the El Paso County bids is Nov. 23, 1943, and what will happen remains to be seen." (Editor's Note: The county rejected the two bids submitted pursuant to the offering; only one of the offers was made for the total of $1,786,000 refunding bonds that were offered.)

By way of background, it should be noted that the Texas Supreme Court ruled on June 16, 1943, that Cochran County, Texas, had the right to call for redemption in advance of maturity certain of its outstanding bonds, notwithstanding the fact that no such option was contained in the bonds at the time of issue. The court ruled that the statute pursuant to which the bonds had been issued permitted the county to exercise the redemption option and, as a consequence, the State Attorney General was directed to approve the refunding bonds proposed to be issued by the county. The effect of the decision, naturally, was not confined exclusively to Cochran County, but was also applicable to the various other counties in the State having outstanding bonds that were issued under the statute in question. As a result of the court ruling, a considerable number of other counties have issued calls for redemption of various bonds coming within the orbit of the decision.

In connection with the subject, it should also be noted that the municipal bond house of B. V. Christie & Co., Houston, Texas, has issued a pamphlet entitled "The Cochran County, Texas, Decision—Its Cause and Effect." According to the bond house, the "court held that certain county limited tax bonds are optional as a matter of law," and goes on to state that the decision "covers only original voted courthouse, jail, road and bridge, juvenile home and poor house bonds, and that the total amount of bonds of the class which are held to be redeemable under this decision represent approximately 1% of all Texas municipal bonds now outstanding." The pamphlet, dated Aug. 17, last, further states as follows:

"Some publicity has recently been given by certain security dealers in the State to the effect that this decision may make redeemable unlimited tax special road bonds of counties and road districts and refunding bonds issued to refund original county bonds covered by the decision. We do not know the purpose behind this publicity but the effect is to raise a serious question as to the market value of these bonds with the result that those who sell such bonds now will be forced to sell them below their normal value. Our attorneys advise us that, in their opinion, such refunding bonds and unlimited tax special road bonds issued under the general laws **are not redeemable** under the terms of this statute and we understand that this opinion is held by other municipal bond attorneys who have studied the question. We, therefore, strongly urge the present holders of these bonds not to sell them at depressed prices brought about by any representation that they may be redeemable under the recent decision of the Supreme Court.

"Anticipating that the Supreme Court would hold that the bonds mentioned in the Cochran County case are optional and believing that the bondholders' interests could be better protected if refunding contracts were entered into prior to the court decision, we attempted to secure contracts with all counties in the State which had outstanding bonds of this class. We were successful in part and because of the contracts which we hold with several of these counties, we are able to prevent or minimize losses by holders of these particular bonds when called for redemption. Our method of accomplishing this purpose is as follows: Any holder of bonds of counties under contract with us, who purchased his bonds prior to the Supreme Court decision (June 16, 1943) and who paid a premium therefor in excess of the total interest which has accrued on his bonds from the date of his purchase to the date of call, shall be permitted to exchange his original bonds for a like principal amount of refunding bonds on the basis of par for par or, at our option, shall be paid a cash sum equal to the excess of premium over accrued interest.

"The refunding bonds bear interest at such rates that they obviously can be sold immediately at premiums which, together with the interest previously collected on the original bonds, will, in almost all cases, return the full premium to the investor. In fairness to us and those customers who have expressed an interest in the refunding bonds, we must know at once what bonds are eligible for adjustment on this basis in order that the necessary amount of refunding bonds may be reserved for exchange. Eligible holders are, therefore, urged to send us at once a full description of their bonds, including the numbers, maturities, date of purchase and price paid.

"This effort to prevent loss of premium paid by holders of these bonds is voluntary on our part. Our contracts with the counties do not in any sense require us to do so."

Railroad Securities

(Continued from page 2209)

earnings comparisons are expected to stem from more nearly comparable tax deductions. At the present time heavy excess profits taxes are being accrued, whereas a year ago a large proportion of the roads was still sheltered by carry-backs. A fair proportion of the larger tax-sheltered roads used up their entire deductions by the end of 1942 and started accruing the excess profits tax liability in the early months of 1943. When the time arrives, as it will in early 1943, when the corresponding months in each year include excess profits taxes, the year-to-year comparisons of net income will be correspondingly improved. Many rail men expect that when year-to-year earnings comparisons begin to display stability, even though the earnings will be below the wartime peaks, a better speculative attitude towards railroad securities will be generated again.

Post-War Postion Of St. Louis-S. F. Ry.

Raymond & Co., 148 State St., Boston, Mass., have issued a new discussion of the post-war position of St. Louis, San Francisco Railroad bonds. Copies of this interesting discussion may be obtained from the firm upon request.

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Investment Trusts

"Virtue of Simplicity"

A letter received this morning from a dealer in the Mid-West closed with these words: "Hope some day Bureaucratic Washington will realize the virtue of simplicity." A rather forlorn hope as far as "Bureaucratic Washington" is concerned! But wherever it is important that ideas be transmitted without confusion and without loss of strength or flavor, intelligent men will strive to achieve the "virtue of simplicity."

Investment company literature in recent years, particularly the literature of the more successful sponsors, reveals a definite trend toward simplicity of language and presentation. In the mailbag this week, for instance, were a number of examples of this trend.

Selected Investments Co., national distributor of Selected American Shares, has prepared a simple little folder entitled, "Four Freedoms of Investment." Featured by its eye-appeal and readability, this little folder lists the following freedoms toward which Selected American Shares makes an important contribution to the investor:

1. Freedom from detail.
2. Freedom from worry.
3. Freedom from risks (of abnormal character).
4. Freedom from inflation fear.

"One might mention still others," concludes the folder, "Freedom to obtain up-to-date information on the company's policies and portfolio at any time; freedom from duplicate estate taxes; freedom to liquidate promptly if he (the investor) needs his money. In these ways **Selected** makes an important contribution to an investor's freedom."

* * *

Calvin Bullock's revised folder. "A Brief Description of Dividend Shares," is another example of effective simplicity of presentation. Here are a few of the points made in the folder:

"Incorporated in 1932, Dividend Shares, Inc., is one of the largest investment companies with redeemable shares in the United States. On Sept. 30, 1943 the company had approximately 40,000 stockholders and assets of more than $44,000,000. . . ."

"Dividend Shares has paid an aggregate of $22,089,907.21 to its stockholders in quarterly dividends since incorporation (of which $7,993,160.24 represents dividends derived from net profits on sale of securities). In the 11 years 1932 to 1943 the return from dividends paid each fiscal year, on the basis of the offering price prevailing at the beginning of the respective fiscal year, has averaged 5.55%. . . ."

"From the Dunkirk lows of June 10, 1940 to Sept. 30, 1943 Dividend Shares' per share net asset value increased 36.35%. In the same period the Dow-Jones Industrial and Composite Averages rose 25.29% and 30.63%, respectively. . . ."

"Dividend Shares—a low-priced, high-grade, dividend-paying security, tested over 11 years; subject to Federal regulations; managed by an experienced research organization, and combining in one security to a high degree the features of protection, marketability, satisfactory return and appreciation opportunities—is an investment security unusually well

(Continued on page 2226)

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40 Exchange Place, New York

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Prospectus of this Mutual Investment Fund available through your investment dealer or from the distributor
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Real Estate Trust Bldg.
Philadelphia

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K-1, 2 IN PREFERRED STOCKS
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S-1, 2, 3, 4 IN COMMON STOCKS
Prospectus may be obtained from your local investment dealer or
THE KEYSTONE CORP. OF BOSTON
50 CONGRESS STREET, BOSTON, MASS.

DIVIDEND NOTICES

Allied Chemical & Dye Corporation
61 Broadway, New York

November 30, 1943

Allied Chemical & Dye Corporation has declared quarterly dividend No. 91 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable December 20, 1943, to common stockholders of record at the close of business December 10, 1943.

W. C. KING, *Secretary*

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 151
Common Dividend No. 135

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1943, and a dividend of 20¢ per share on the Common Stock have been declared. Both dividends are payable January 1, 1944, to holders of record December 9, 1943. The stock transfer books will remain open.

J. P. TREADWELL, JR.
November 24, 1943 *Secretary*

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND **NUMBER 31**

At a meeting of the Board of Directors held November 29, 1943, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable February 1, 1944, to stockholders of record at the close of business January 5, 1944. Checks will be mailed.

W. M. O'CONNOR
November 29, 1943 ***Secretary***

Borden's
COMMON DIVIDEND
No. 135

The final dividend for the year 1943 of sixty cents (60¢) per share has been declared on the outstanding common stock of this Company, payable December 20, 1943, to stockholders of record at the close of business December 7, 1943. Checks will be mailed.

The Borden Company
E. L. NOETZEL, *Treasurer*

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *November 15, 1943*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable January 25, 1944, to stockholders of record at the close of business on January 10, 1944; also $1.25 a share, as the "year-end" dividend for 1943, on the outstanding Common Stock, payable December 14, 1943, to stockholders of record at the close of business on November 22, 1943.

W. F. RASKOB, *Secretary*

THE ELECTRIC STORAGE BATTERY CO.

The Directors have declared from the Accumulated Surplus of the Company a final dividend for the year 1943 of Fifty Cents ($.50) per share on the Common Stock, payable December 21, 1943, to stockholders of record at the close of business on December 1, 1943. Checks will be mailed.

H. C. ALLAN, *Secretary and Treasurer.*
Philadelphia, November 19, 1943.

GUARANTY TRUST COMPANY OF NEW YORK

New York, December 1, 1943.

The Board of Directors has declared a quarterly dividend of Three Per Cent. on the Capital Stock of this Company for the quarter ending December 31, 1943, payable on January 3, 1944 to stockholders of record December 8, 1943.

MATTHEW T. MURRAY, Jr., Secretary.

Myers In Dunkirk

DUNKIRK, N. Y.—Albert E. Myers is engaging in a general securities business from offices at 136 West Second Street.

A Plea For A Free Economy And A Limited Supply of Money

(Continued from page 2206)

mand situation in the labor market, unless they are flexible in making adjustments to changing conditions, we shall have appalling rigidity and appalling delay in making transitions and a wholly unnecessary volume of unemployment, with, of course, a very big reduction in the annual income of labor and in the real income of labor."

Probably there is no stronger argument than Dr. Anderson's for a free economy—wages and prices that truthfully reflect the supply and demand situation in the markets involved, although we have to concede that he fails to mention the money market, which is really the most important of all markets. Furthermore, we also find the following by Dr. Anderson on the labor problem:

> ". . . if the labor leaders of the country will prove themselves to be good merchants, study their markets, see what these markets can afford to pay, and aid in bringing about wage readjustments, can move rapidly in eliminating unemployment as we go through our post-war readjustments. If they try to hold up war-time wages after the war there are ominous things ahead. We can have gigantic unemployment and chronic unemployment just as England did in the 1920's, through wage scales held too high in the union policy."

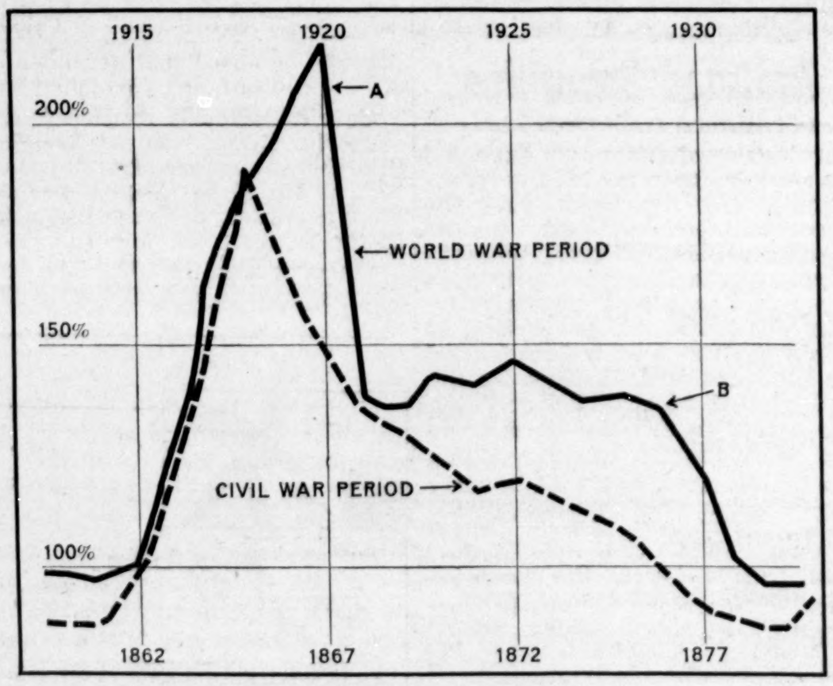
The obvious question in connection with this buck-passing proposition is: Does Dr. Anderson, in suggesting the passing of wage-rate problems over to labor leaders really intend this as a solution of the post-war wage-rate readjustment problem, to be substituted for free market processes for which he has been contending, or is this suggested possible solution brought forward to serve as an alibi to be called up, if and when things shall have gone haywire with employment, as he is sure they will unless labor leaders aid in bringing about wage readjustments with a measure of wisdom which he says no one ever possessed. The reader can figure this out for himself. It is too much for the writer.

So much for Dr. Anderson on wages. We will now look at another task he has outlined. Here is what he says he is going to try to do:

> "In contrast with the policies which many are proposing for the Federal Government today, I want to exhibit first the policies employed by the Federal Government in the crash of 1920-21, and in the period of recovery to full employment that took place from August of 1921 to the spring of 1923. The picture of our policy in those years will make a very useful point of departure for the study of what our policy ought to be when the present war ends."

Following this statement of purpose, Dr. Anderson devotes much of his paper to showing what happened during 1921-23. Since the law authorizing limitless currency dates from December, 1913, we have been managing our limitless supply of currency just 30 years. When the 240% pre-war price level was attained in 1920 we had had managed money seven years. In this quotation Dr. Anderson proposes to study first the 1920-21 "boom collapse" to the 140% level. Then he proposes to take the recovery period of the years 1921-23, as he says, "for a study of what our policy ought to be when the present war ends."

We are in thorough accord with Dr. Anderson upon the desirability of studying price movements, but there is little of significance in such movements over so short a period as two years. We have, therefore, had reproduced a chart showing commodity prices over 20 years, from just preceding to some 15 years after the Civil War and World War I, respectively. These curves of Figure 1 are reproduced from a chart arranged by the National Industrial Conference Board.



The broken line in this chart shows that after the Civil War commodity prices declined rather evenly until they hit the pre-war level 11 years after the war and 14 years from the time they started to rise. The solid line of the chart shows that prices started up also with the outbreak of World War I; that they went, say, 65% higher than during the previous war; that the decline in lieu of being gradual over a decade was taken in two jumps, the first of, say, 100% of prewar prices and the second, eight years later, of, say, about 50% of prewar prices.

These eight years of commodity prices, maintained by money and credit manipulation at an artificial level, in between two abrupt declines of about 100% and 50%, respectively, of prewar prices, were years of wonderful booms—the farm land, Florida land and the bull market booms all came or collapsed within this period. To the farmer it was a most disastrous period, for it cost him, probably for all time, a large part of our export trade in wheat and cotton, lines that had been a growing factor in our production for more than a century.

The over-all result of the 12 years of the Harding-Coolidge and Hoover administrations dating from March 1921, was to leave the nation in the depths of a depression that is still kind of a nightmare to workers dependent upon employment for the support of their families. Prior to this depression Uncle Sam had never had enough unemployment for a long enough time to create the need for statistical data upon unemployment. Since these 10 years from 1930, we know what it is to have six to ten million unemployed for a nearly a decade.

In conclusion, Dr. Anderson started to tell how government can "promote post-war reemployment." After a strong plea for a free economy, he makes three pretty definite suggestions:

(a) Follow the pattern of 1921-1923.
(b) Let the labor leaders do it.
(c) Grease the ways by restoring the free movement of capital, etc.

We have shown to any one who will grasp the implications of a commodity price curve over a couple of decades that the two years selected for a pattern (1921-23) were part of a much longer effort that resulted as disastrously as any similar episode in our history.

The other two suggestions are OK so far as they go, which is a very short distance. The labor leader's excuse for existing is his ability to get something directly for those who support him. To expect him to lead off in downward revisions of wage rates is too idealistic to be taken seriously. As to removing obstructions and greasing the ways for capital—fine, but a long way from solving the problem.

What is the real solution? The real solution is to return to a free economy: not for the price and wage-rate side of the trade only, but a free economy for the money side of the trade also. We kid ourselves if we think we have a free economy with managed limitless money.

Here is what Governor Strong of the New York Federal Reserve Bank testified to on this point about 1928:

> "Question: Do you think that the Federal Reserve Board could, as a matter of fact, stabilize the price level to a greater extent than they have in the past by giving greater expansion to market operations and restriction or expansion of credit facilities?
>
> "Governor Strong: I personally think that the administration of the Federal Reserve System since the reaction of 1921 has been just as nearly directed as reasonable human wisdom could direct it toward that very object."

Governor Strong is quoted by Irving Fisher in his work, "Stable Money" (this work contains the testimony herein reproduced) to this effect:

> "Fixing the price of wheat or any other price is far more difficult than fixing the general level of prices, just as it is far more difficult (impossible, in fact) to fix a little wave on the surface of a mill pond, than to regulate the level of the whole pond."

These hearings, which extended over several years, show that Federal Reserve Officials were afraid of price fixing. Governor Norris, of the Philadelphia Federal Reserve Bank, for example, testified thus:

> "I am personally prepared to agree that stabilization of price levels is a desirable thing—but when we consider the enormous number of elements that enter into the price of a single commodity or the price index, is it safe, to undertake to stabilize an existing price level?
>
> ". . . the stabilization of prices is a doubtful, not to say dangerous experiment," Mr. Norris concluded.

Dr. Goldenweiser, a Federal Reserve Expert, testified to the following effect:

> "Only the short-term fluctuations in the price level are felt by the public, and not the long trends. It would be difficult however, to determine what kind of trend is developing at any given moment."

Governor Norris, on another occasion, said this:

> ". . . the System has the power to restrict the excessive issue of currency through the provision that the Federal Reserve Board may disapprove the application of a Federal Reserve Bank for the issuance of Federal Reserve notes. **As a matter of fact, that power has never been used, because if member banks have a demand from their customers for currency, and apply to us for it, we have practically no alternative but to give it to them. . . .**" (Bold face ours.)

This testimony shows that none of these officials contemplated fixing prices or price levels, and yet, there can be no question that the funds with which prices were maintained at around the 140% level for eight years, were made available by the Federal Reserve System under the policy outlined in the previous paragraph. If we think we can delegate authority to a banking system to provide limitless money or public credit at its discretion, and still enjoy prices that tell the truth about the supply and demand situation in commodity and labor markets, we are just shutting our eyes to reality.

E. S. PILLSBURY.
St. Louis, Mo., Nov. 22, 1943.

German Peace Rumors Dismissed By Hull

Rumors that Germany might possibly be making a peace bid were discounted by Secretary of State Hull on Nov. 29 as an attempt to hinder the Allied war effort by creating over-confidence.

In response to a question at his press conference, as to whether he had any information "to support rumors that a German peace move is afoot either through the Vatican or other channels," Secretary Hull replied:

"I think I would be same in authorizing you to quote me entirely in the negative about such rumors at every day's conference until I notify you to the contrary. They are evidently put out most of the time with a view to creating over-confidence among the Allies in carrying on the war to a successful conclusion, and in that way impairing the whole vigor of the war situation on the Allied side."

Widespread reports from Europe have been current as to German peace-feeler negotiations—most of them emanating from Swiss newspaper sources.

The Swiss newspaper "Basler Nachrichten" first reported on Nov. 25 in a dispatch from the Swiss border town of Chiasso that Pope Pius XII had undertaken a mission of mediation between Germany and the Allies.

On the same date Senator Downey (Dem.) of California, said he had received information from "unusually well-informed" sources that influential Germans are attempting to open negotiations for their country's surrender, and that some United Nations leaders expect a collapse of the Reich about Christmas.

A report was circulated on Nov. 28 that a high German personage, possibly Franz von Papen, the German Ambassador to Turkey, was a visitor to the Vatican. Talk of German peace overtures was viewed in Washington on Nov. 30, the Associated Press said, as indicating that Nazi leaders have launched a propaganda offensive to counter the expected big news from a conference of President Roosevelt, Prime Minister Churchill and Marshal Stalin.

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Utilities Situations Offer Possibilities

Missouri Utilities Company common stock offers interesting possibilities according to a memorandum discussing the situation contained in the current issue of "The Preferred Stock Guide" published by G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Copies of the "Guide" containing quotations on public utility preferred and common stocks may be had upon request from G. A. Saxton & Co. Also available are interesting memoranda on Utilities employees Securities Company bonds and notes, 6s of 1981; and the $6 cumulative preferred stock of Green Mountain Power Corporation.

The Securities Salesman's Corner

Personal Integrity Is The Foundation Of Success In The Securities Business

The other evening a few of us who have been selling securities long enough to remember a few things which might better be forgotten were discussing a most interesting subject. The point at issue was what is the most important personal asset that anyone should have in order to be consistently successful as a salesman of securities.

Of course, when a group of old-timers get together, a number of observations can be made upon this subject. With the help of an elusive half-bottle of Scotch, we finally decided that one thing in particular was absolutely essential if you wished to make a success AND STAY IN THE SECURITIES BUSINESS. "You either have it or you don't, and if not, you might as well bow right out of this business." So said our own version of Mr. Clifton Fadiman and the rest of us experts agreed.

He was referring to **inherent personal integrity.** The sort of thing that is part and parcel of some men; who, when they speak to you, impress you with the fact that their sincerity is genuine and that the things they say ring true.

After all, when you go back in your own memory and think of all the individuals who have come and gone among your own acquaintance, it can be proven that those who have stayed in the business and have weathered the stormy years we have passed through, have not been the outwardly brilliant, personality-plus boys, but those who have built their business solidly and conservatively.

This was obvious right in our own little group. None of us would qualify as outstandingly gifted talkers, nor were there any of us who would get a second nod from a Hollywood talent scout. We were just plain, ordinary, average individuals that no one would ever recognize as the type that many laymen would think of as typical "Wall Street Stock and Bond Salesmen." Yet, each one of us had been making a substantial living out of the securities business and some were doing even better than that.

There is probably no other business that pays such a handsome reward for knowledge, based upon a foundation of integrity, as does the investment securities business. If you have judgment that is sound, if you know security values, if you can sell the right type of security at the right time to your clients, if you know what your clients NEED and supply it, and if you do these things with the earnest purpose of MAKING CUSTOMERS AND KEEPING THEM, it is academic that you will prosper and build up a substantial and satisfied clientele.

It is strange that by this time the SEC doesn't recognize that this is true. This may be an unfair charge, but based upon the record we doubt it. It is such an obvious fact to anyone who knows the securities business, that it is difficult to conceive of anyone not realizing that out of all the businesses that exist today, there are few instances where personal integrity, fundamental honesty, and sound ethical business principles pay such large rewards as does the securities business. In other words, only the damned fools, the floaters, the fly-by-nights, and those who don't know any better, are the ones who abuse customer confidence and take advantage of fleeting opportunities for inordinate profits. Yet the SEC continues to look for every opportunity of restricting the industry as a whole. Straitjackets are placed around the operations of individual firms and individual salesmen. No differentiation between the wheat and the chaff is ever made by the Commission. It has never taken the position that the bulk of the industry can be put upon its own resources and that most of the successful, responsible people engaged in the business can be trusted with fairness and can be dealt with, without suspicion.

It might be a very helpful procedure for everyone concerned if some day Congress amended the Securities Acts so as to provide that at least a portion of the enforcement and executive officials of the Commission must be selected from those who have had at least five to ten years experience in the securities business—and in the writer's opinion some of this experience should be in the retailing of investment securities.

Retailing is where you meet the public, sit down with them, hear their problems, gain and keep their confidence, and help them find investments to fit their needs. It is where you learn that our friend was right when he said, "You either have it or you don't." And if you do—you don't need a policeman to stand over you every time you sell Mrs. Jones ten shares of stock—because Mrs. Jones also knows that unless you have that personal integrity we have been talking about, you might sell her once, but very seldom will you do it again. Successful securities men know this too.

Managem't Conference To Be Held In N. Y.

A conference on management problems of conversion, sponsored by the Society for the Advancement of Management, will be held tomorrow and Saturday (Dec. 3 and 4) at the Waldorf-Astoria Hotel in New York City. The conference will cover various aspects of the conversion problem, including manpower utilization, planning techniques and cost reductions for the post-war period. Prominent representatives of management, labor and government will take part in the conference, which will be the third national meeting sponsored this year by the Society in an effort to develop plans for all phases of management's conversion problem.

Senator Harry S. Truman (Dem. Mo.), Chairman of the Senate's war investigating group, will be the principal speaker at the dinner meeting on Dec. 3. Among others scheduled to address the conference are R. J. Thomas, President of the United Automobile Workers (CIO); Van A. Bittner, labor member of the National War Labor Board and Assistant to the President of the United Steel Workers (CIO); Dr. George B. Bewkes, of the War Manpower Commission; Donald Davenport, Department of Labor official; George W. Romney, Managing Director of the Detroit Automotive Council for War Production, and Paul Smith, Manager of the Buffalo War Production Board.

Tickets for all meetings of the two-day conference will be available to the public.

Attractive Situations

National Radiator Company and Public National Bank & Trust Co. offer attractive possibilities according to circulars discussing these situations prepared by C. E. Unterberg & Co., 61 Broadway, New York City. Copies of these circulars may be had upon request from C. E. Unterberg & Co.

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Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Things are stirring in the banking world. A nationwide trend to strengthen the ratio of capital funds to total deposits seems to be starting. This column discussed on Oct. 7, 1943, changes in capital funds already instituted during the year by Bankers Trust, Chase National and New York Trust, of New York City. This week recent and proposed capital changes by banks in Chicago will be reviewed.

Chemical Bank and Trust Company

Bulletin on Request

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(L. A. Gibbs, Manager Trading Department)

Directors of Continental Illinois National Bank & Trust Co., which is Chicago's largest commercial bank, have called a special meeting of shareholders for Dec. 17, 1943, to vote on a plan to increase its capitalization. The latest balance sheet, dated Oct. 18, 1943, shows the following figures:

Common stock	$50,000,000
Surplus	50,000,000
Undivided profits	26,258,000
Total capital funds	$126,258,000
Deposits	$2,385,685,000
Deposits to capital funds	18.9
Number of shares	1,500,000
Book value per share	$84.17
Approximate Market	107¼ bid—110¼ asked

The proposed increase in capitalization involves a 20% stock dividend to present stockholders, i. e., one additional share for each five held; and a transfer of $20,000,000 from undivided profits. The capital set-up after this change, including an estimated $1,500,000 credited from current earnings to undivided profits, will be about as follows:

Common stock	$60,000,000
Surplus	60,000,000
Undivided profits	7,558,000
Total capital funds	$127,558,000
Deposits	$2,385,685,000
Deposits to capital funds	18.7
Number of shares	1,800,000
Book value per share	$71.00

It will be noted that actually no new capital is being furnished the bank, and that the so-called increase in capital and surplus is a bookkeeping increase, yet one that will result in the bank's paying out 20% more of its earnings as dividends, since the directors state that the current rate of $2.00 per share semi-annually will be continued.

Another Chicago bank, American National Bank & Trust Co., announces a change in capitalization of a different character. Its stockholders on Nov. 19, 1943, approved the issuance of 5,000 new shares of common stock to be offered present stockholders at the par value of $100 per share, on the basis of one new share for each two shares held. There will also be issued 5,000 additional common shares through a 50% stock dividend on the 10,000 common shares currently outstanding. At the same time the present $600,000 of preferred stock will be retired. The balance sheet for the third quarter of 1943, showed the following items:

Preferred stock ($100 par)	$600,000
Common stock ($100 par)	1,000,000
Surplus	2,500,000
Undivided profits	743,190
Total capital funds	$4,843,190
Deposits	$134,652,220
Deposits to capital funds	27.8
Number of shares (com.)	10,000
Book value (common)	$424
Approximate market	327 bid—337 asked

After the proposed capital changes are effected, the balance sheet items, assuming $100,000 credited to undivided profits from current earnings, will be substantially as follows:

Common stock	$2,000,000
Surplus	3,000,000
Undivided profits	343,190
Total capital funds	$5,343,190
Deposits	$134,652,220
Deposits to capital funds	25.3
Number of shares	20,000
Book value per share	$267

Dividends on the 10,000 shares during the past three years have been at the annual rate of $8.00; it is expected that the January dividend on the 20,000 shares will be at the annual rate of $6.00. Final action with respect to the stock dividend is dependent on no unfavorable changes by Congress on the tax status of stock dividends.

First National Bank, Chicago, also proposes to increase its capital shares through a stock dividend, provided the tax status of such dividends is not upset by Congress this year. The latest balance sheet of this bank, dated Oct. 18, 1943, shows the following items:

Common stock ($100 par)	$30,000,000
Surplus	50,000,000
Undivided profits	5,319,000
Total capital funds	$85,319,000
Deposits	$1,969,006,000
Deposits to capital funds	22.8
Number of shares	300,000
Book value per share	$284.40
Approximate market	376 bid—381 asked

The proposed stock dividend, if authorized by stockholders at a special meeting late in December, will be 66⅔%, thereby increasing the bank's capital from $30,000,000 to $50,000,000. Funds will come from surplus and reserves. The revised balance sheet items after the proposed change, and assuming approximately $500,000 credited to undivided profits from current earnings, will be about as follows:

Common stock ($100 par)	$50,000,000
Surplus	40,000,000
Undivided profits	500,000
Total capital funds	$90,500,000
Deposits	$1,969,006,000
Deposits to capital funds	21.8
Number of shares	500,000
Book value per share	$181

The bank is expected to pay dividends on the 500,000 shares at the rate of $8.00 a year, compared with $12.00 per year on the 300,000 shares.

Suggestion For Organization For Post-War International Finance

(Continued from first page)

sources. It has also been shown that long-term credits, of such unwieldly size that they cannot be serviced in times of some stress, will add materially to the difficulties of any period of recession. When such weaknesses are known to exist, a slight reaction in general trade activity checks further liberal extensions of credit, leads to a general pulling in of horns, accelerates liquidation, and finally leads to crisis and default. The sale of exports against unsound credits of any type has not proved to be advantageous in the end.

Usual business considerations probably cannot govern all aspects of our immediate post-war foreign trade policy completely. Consideration will be given to foreign relief. But the United States cannot feed the world, because it does not have enough food. It cannot supply all the denuded working inventories of Europe. It can help by supplying *some* food, *some* other consumers goods, *some* raw material, and *some* semi-manufactured goods. But the available supplies will necessarily fall short of the needs, and the means of foreigners to pay for them will fall still shorter. For these reasons, the aid to be extended is already planned to include measurers to assist distressed populations to recover their own productive power by such methods as sending them seed and other supplies which will enable them to raise enough, as soon as possible, to avoid further famine. Aid could also be given by making available our "know how" on many problems. Because of the limited supply of goods available for export, and the limited means of Europe for making payment, it will be necessary to extend aid with the best practical combination of economy and efficiency, if the job is to be well done.

An excess of exports over imports, if a large proportion of the exports fall into the category which does not produce the means of paying for them, supplies an unsuitable basis for credit, because the credits will not only be beyond the capacity of the importers to pay immediately, but no means will have been created by which payment may be made in the future. Huge so-called "favorable" balances of trade in the immediate post-war years will constitute a gift to the extent that they represent the sending abroad of physical merchandise in exchange for credits which will not be paid. They will even be in small part a gift, when they are exchanged for gold which earns us nothing. To create a mass of credits of poor character will not only deceive ourselves, but will create conditions which will ultimately prove to be detrimental to trade conditions throughout the world. The only approach which can offer any hope of effecting a really satisfactory solution is one which is realistic, takes off the rose colored glasses, and does not exaggerate the possibilities. It must have some similarity to the Churchill promise of "Blood, Sweat, and Tears," rather than the promise to supply everything to everybody at somebody else's expense. It must face the fact that any so-called "favorable" balance of trade, to the extent that it is financed by uncollectable credits, is a gift. To the extent that such exports are gifts, they can be properly financed only by the Government.

The demand for goods which need not be paid for, or which may be bought against over liberal payments, will be almost without limit. The practical limitations of our exports should be the sum of the following:

1. The amount of internationally liquid resources already available to importers abroad.

2. The amount of the means by which importers may pay us, created by our then current imports.

3. The amount of truly sound long credits collectible on the installment basis which the importers may be able to sell to us.

4. The amount of profitable equity investments, natural resources, or other property abroad paid us in exchange.

5. The amount which we are willing to give away knowingly.

It is desirable first to determine what we mean to give away, and with what restrictions, and then to see to it that the credits which we extend are only those which can be liquidated according to their terms. To go beyond these limits is not only to make gifts without immediately realizing that they are gifts, or without caring, but also to create unsound credits, the existence of which will in the future produce liquidation and crisis. Such events always follow the extension of credits without proper consideration of the means of paying them.

The instrumentalities through which the credits are extended are less important than the underlying realities, and no instrumentality, however appealing in name or apparent purpose, can change, overcome, or disregard the underlying realities without disaster. The success of any financial instrumentality lies in its skill in interpreting, applying, and obeying the limitations of the underlying realities, and not in any ability to disregard them by ingenious devices. It cannot so disregard them with success merely because it is large, national or international in its scope. An international clearing arrangement will not work successfully merely because its assets and liabilities are express in Bancors or Unitas, or any other monetary unit, if the amounts owed by it to each participating nation vary by more than small amounts from the amounts due to it by each such participating nation. If the United States, by reason of its creditor position, ultimately is found to own a very large proportion of the deposits of the clearing organization, but the assets of the organization are obligations due chiefly from other nations, the organiaztion will be illiquid, and unable to meet its obligations on demand or short term, when it is subjected to any strain. It will btcome a frozen institution. Clearing accounts should be clearing accounts, and should not be classified as such when they are actually illiquid, and therefore long. What are in fact long-term obligations should also in name and provisions be long-term obligations. Therefore, the clearing organization should be liquid within the limits of seasonal and other very short time variations, and if there is any tendency for short credits to become illiquid by reason of their unbalance, balance should be restored by arranging for long credits to maintain balance, or by changing exchange rates sufficiently to bring about balance. If it appears to be impossible to restore balance by either of these methods, then it will be entirely impractical to extend long credits in the disguise of short credits.

We arrive thus at the general principles that (1) what cannot be exported against imports, sound credits, or in return for other valuable assets abroad, should be supplied as a gift, or not at all, (2) that credits extended to foreigners which have a short maturity should be kept liquid in fact by not permitting their volume to exceed the liquid resources which are available to pay them, (3) when the international short-term obligations of any nation and its nationals begin to exceed their liquid resources, balance should be restored by adjustment of exchange rates, or by extensions of long credits, and (4) long credits should be extended only to the extent that they are sound and can really be serviced.

It is probable that the American people will want to give something towards the relief of post-war distress in Europe, and that they will be willing to supply more help in exchange for certain assets abroad, and in exchange for a limited amount of credits. Those in this country who benefit personally from the sale of goods which we will give away, or send abroad in exchange for such assets or credits, will surely favor such transactions. In fact, exporting interests are always likely to favor too extensive gifts and credits. It will, however, be to the best interests of all to preserve a sense of the proper relativities in these matters, and not allow enthusiasm to carry us to extremes which do not take a sufficient account of the practical fundamentals and realistic limits.

An international organization or organizations designed to clear international credits, and to arrange and pass upon intermediate and long credits could be capable of great service as a central point at which the necessary information as to the status of international balances of accounts of the various nations could be collected, and as an advisory and consultative body on long credits and all monetary matters. Its influence could be of great value. But it will succeed only if it follows realistic and sound policies. This in turn will depend partly on the men who manage it. It seems reasonable to assume that the management of such an organization would be experienced and able, and their acts would be sound, especially if the design of the institution does not permit it to allow the amounts due and from each clearing nation to get out of balance, or permit it to commit any nation to extend intermediate or long credits, which are not fundamentally sound.

Whether or not such an organization comes into being, we will gain little from a large accumulation of unpayable credits due from foreigners, or from further extensive additions to our gold stock, which will earn us nothing. Therefore, it would seem reasonable for us to refuse to sell abroad in exchange for an undue amount of either of these types of assets, or even of foreign natural resources or other foreign assets.

If the United States is to become a lender to foreigners on a large scale, and is to obtain the benefits of owning large resources abroad, she must realiez that a major change in other policies is unavoidable. She cannot obtain payment on any large amount of foreign credits, or receive the full benefit of natural resources owned abroad, unless she is willing to become a liberal importer. In theory the extension of our industrial system to industrially undeveloped areas offers a very great market for our machinery for a long period. This would give employment in our machinery manufacturing industries. But if we are to adopt this policy, we cannot receive payment of the long credits on which such machinery would have to be sold if it is to be sold in quantity, unless we are willing to accept imports in payment. All the imports would not necessarily have to be goods manufactured by the machines which we had exported. They might be tea, natural rubber, chromium, tungsten, or anything else that we do produce ourselves. But the quantity of imports of materials that we do not produce ourselves, and would like to import, would probably be limited. Therefore, the products of the machinery that we had exported would probably compete with our own manufactured goods, not only in the markets of the world, but even at home. It is possible, therefore, that the exports of our latest types of machinery, and their use by cheap foreign labor, might have an adverse effect on employment and wages in industries other than the machine tool industries. The policy of becoming a large lender and exporter to foreigners and a large owner of foreign resources would, therefore, necessarily and inevitably connote policies as to imports not likely to be acceptable to much of our labor and domestic industry.

It seems probable that this country will gain more by devoting its attention primarily to the development of domestic industry, as in the past. The possibilities within the country are still almost unlimited. The law of progress is a law of acceleration. Each discovery, instead of closing the door to further progress, opens larger vistas of thing to be done. For example, improved transportation has made it possible to cover great distances in a mere fraction of the time formerly required, but this has not caused less time to be spent in travel. On the contrary, the amount of travel has increased as travel has become easier, and far more time is spent in travel than ever before. Improvements in the construction of, and facilities within homes have not decreased the demand for housing or the conveniences within them, because standards and demands have risen fully as fast as the means of satisfying them have been devised. There is no limit to the domestic demand for the products of our industry as a whole, provided they can be made at the right price, and labor can be fully employed in making them — that is to say, provided there is a proper adjustment among the multitude of factors in our economic interrelationships, which from time to time get out of adjustment, especially when there is a war. Unfortunately, we are able to see only very imperfectly by means of statistics, or the use of pure economic theory what the nature of these maladjustments may be, and what may be done to overcome them. This is due in part to the fact that such unchartable matters as styles, individual preferences, customs, the progress of research, and weather are involved. The answer with respect to many such matters can be determined only by the intangible "experience" or "judgment" of men who have spent their lives in particular specialized activities, or by the process of trial and error in actual practice. For this reason, overall "controls" and "planning" are suitable only for general and rather crude adjustments. They produce better results than the ordinary operation of unrestrained economic forces when the interrelationships of supply and demand are thrown very far out of line by war, but they are inferior to the operation of ordinary economic forces in normal times, because they are insufficiently sensitive, and do not permit individuals to express either their desires or their abilities freely. Success with our domestic industry lies not so much in grand attempts to plan the accomplishments of our industrial geniuses, which cannot be planned, as in avoiding the creation of unsound credits or unsound financial programs which result in periods of great financial and business confusion, and in preserving freedom of opportunity for creative effort. Grandiose schemes for public construction, and undue reliance upon the creation of indebtedness, public and private, are not likely to produce the kind of results that are hoped for, because many Government enterprises compete with private enterprise, and many are not self-sustaining, if all costs are taken into account. The creation of large make-work projects financed by debts connotes heavier graduated taxes, or in other words, increased penalties on success. Debts to finance such enterprises increase the inflexibility of the financial structure, and decrease its power to adjust itself to change. The net effect of this sort of approach to the problem is either negligible, or in the direction of retarding business activity. This is shown by the small size of the demand for new capital by private industry in the entire decade before the war, and by the low level of interest rates which then pertained—a clear indication of a lack of vitality in the business situation. The ideal solution would obviously be to find enterprises which can be self-sustaining, and which can be financed even in depression by sale of equity securities, or directly from savings, thus increasing the flexibility of the financial structure, and tending towards a reduction of the penalties on business success. It seems more than likely that we can progress at an even faster rate than in the past, if we do not allow our economic and social structure to be frozen by creation of excessive and unbalanced credits, overorganization, unnecessary restrictions, cartels, trusts, and other excessive regulation, but seek rather to preserve a high degree of decentralization, to enlarge the opportunity for creative ability, and to maintain a high degree of flexibility. Reduction of the tax penalties on success, changes in the tax laws to encourage the installation of new equipment and hasten the obsolesence of old machinery, measures to promote the discovery of new and less expensive ways to build, and measures to stimulate rather than to repress the flow of equity capital into industry are among the things which may be done to encourage forward action by central policy. If we realize that technological progress creates jobs and better pay, instead of creating unemployment, we will have laid the foundation for recovery. Thus were all the jobs in the automobile industry, and all those in collateral activities, created out of nothing in a little more than 25 years—jobs which simply did not exist before. Standards and demands rise fully as fast as the means for satisfying them are devised, and speeding the discovery of ways and means of satisfying them more abundantly and more cheaply is the mainspring of progress towards the abundant life. It will, nevertheless, be desirable to continue price controls and rationing of products, the demand for which will be entirely out of line with the supply for a brief period after the war. In no other way will it be possible to prevent unwarranted temporary increases in prices, and the creation of unsound credits against inventories at such prices, which will later produce difficulties, losses, and at least a temporary period of readjustment and stagnation. But such restrictions should be continued only with respect to those commodities in which a marked degree of unbalance exists between the demand and the supply, and they should be removed as soon as the state of marked unbalance has disappeared. Thereafter, business men will be able to lay their plans on the basis of their knowledge of their own industries, and will not have to guess what action is going to be taken by central planners. Then they can proceed confidently with their plans.

The course of our foreign trade cannot be fully planned, nor is it desirable that it be so planned, because so much will depend upon events at home and abroad which cannot possibly be forecast. We can determine the demands which we will make upon foreigners in payment for lend-lease or other aid, but, in this connection, we must also consider what we are willing to import in payment, or what exports we are willing to give up so that we may be paid. To demand payment, but to refuse to take it in the only ways in which it can be made would be to repeat the shortsighted French attitude towards German reparation payments after the last war—to demand what sounds and is morally just, but what is not practically possible—thus creating a condition of unbalance in the exchanges which will ultimately constrict trade for years. We may determine that it is impracticable to ask for any return from lease-lend, except what may be obtainable in the form of concessions for air bases, or possibly a limited amount of certain natural resources abroad. We may also determine specifically what we are to give away for the relief of Europe. We may take some part in some international clearing arrangement, if we finally decide that it will be advisable. In any event, we know that there will be a state of great unbalance in the international accounts of many nations, including our own. The demand for various commodities which enter into international trade will be, at least temporarily, far beyond the supply available for export, and far beyond the volume of liquid resources of many importers to pay for them. This will reflect itself in a great unbalance between the demand for and the supply of dollar exchange, and will require measures for temporary control designed to prevent the erection of a large mass of unsound credits, arising from our international activities, exactly as price control and rationing will be necessary for some time for the same purpose in the case of some domestic commodities. There may be certain other ways in which we can plan certain aspects of our foreign trade and international business relationships for a time, such as through bilateral or multilateral tariff arrangements. But in the main we have cited the only principal ways in which our foreign trade can be centrally planned to advantage.

Unless we are to leave the extension of our credits to foreigners to an international organization of some type, which seems hardly likely, or entirely to our Government, there will be a place for a domestic organization designed to take a part in our post-war international financing, and to exert an influence in the direction of preventing the erection of a large volume of unsound credits, while at the same time approving credits which seem likely to be advantageous either directly, or because of their contribution to international trade conditions in general. It is to this aspect of the problem that our attention is primarily directed. Under the extraordinary conditions likely to exist for some years after the war, the risks would be minimized by provisions for a limited profit corporation of the kind hereinafter described, which we call for convenience, Federal Finance Corporation, or simply the corporation, with a nominal capital owned by commercial banks engaged in foreign finance.

This corporation would be semi-public in character, and might have nine directors elected by its stockholders. Four of such directors might be officials of commercial banks, four might be representatives of commercial concerns engaged in foreign trade, and one an official of one of the Federal Reserve Banks.

Legislation would be required to give the corporation the following powers:

1. The right to require reports from banks, banking institutions and others giving such information as may be pertinent and necessary to enable the corporation to know the status of balances due to and from each foreign country and its nationals in their relations with the United States, and any other facts concerning our foreign financial transactions which may be necessary to enable it to carry out its functions intelligently.

2. The right to determine daily official exchange rates (buying and selling) for all other currencies, not on a gold basis, in terms of the dollar, which rates would be the rates to be paid or charged, as the case may be, by all banks, banking houses, and others in the United States, to the extent that such power is not delegated to any international organization.

3. The law under which the corporation would be set up would require that such exchange rates be set with a view to maintaining a reasonable degree of balance between the amount of short credits and current funds due from this country and its nationals to each foreign nation and its nationals, and the amount of the short credits and current funds due to this country and its nationals from such foreign nation and its nationals, provided that in determining whether or not such a balance exists in the case of any foreign nation, the corporation might, if in its opinion in the public interest, disregard all or any part of any excess of such short credits and current funds due from this country to such foreign nation and its nationals over the amount of such short credits and current funds due to this country from such foreign nation and its nationals, at the time the corporation commenced operations.

4. In the event that the corporation believes that it is in the public interest to restore a closer degree of balance between the current funds due from or to any nation and its nationals, it shall take such of the following actions, and in such degree, as it shall deem advisable:

(a) Alter the buying and selling prices in dollars for the currency of any such nation, provided that such nation is not on the full gold standard basis.

(b) Suggest to the Secretary of the Treasury that the Stabilization Fund or any other fund that may be voted by Congress for the stabilization of foreign exchange rates be used for this purpose.

(c) Suggest or approve the granting or public sale of intermediate or long-term credits in the United States, provided that it believes that such credits are suitable for investors in this country. In the event that it finds that no lenders are willing to extend such credits, and that no underwriter is willing to sell them in the United States, or it believes that such credits involve an undue risk for investors, it may suggest that the borrower apply to the Secretary of the Treasury for a guarantee of a portion of the interest and principal of the proposed credit. This power would be exercised by the Secretary of the Treasury within such limitations, and for such purposes as Congress would by law prescribe. It is assumed that the proportion of the principal and interest of any loan to be guaranteed would be selected by the Secretary within the range of 25% to 75%, as the particular case might require.

(d) If necessary to prevent the undue accumulation in this country of balances due to any foreign country or its nationals, the corporation would have power to impose restrictions on capital movements towards the United States, through rules and regulations applicale to banks, banking houses, and others engaged in foreign trade and finance.

5. The corporation would have power to approve all long-term credits (maturity more than 18 months) granted to foreign countries or their nationals by any bank, or financing or financial institution in this country, and all foreign issues offered by underwriters in this market, and no such credit or sale would be permitted without such approval.

6. The powers and duties of the Securities and Exchange Commission with respect to foreign loans would be transferred to the corporation, but no loan partially guaranteed by the United States would have to be registered.

7. The corporation would be required by law to consult with the following with respect to all such matters as shall be appropriate for such consultation:

(a) The Secretary of State.

(b) The Federal Reserve Board or a Federal Reserve Bank.

(c) The Secretary of the Treasury.

(d) Any international organization for the clearing of foreign transactions, or the granting of foreign credits, in which the United States shall be a participant.

8. The corporation would be sustained by a system of charges to underwriters for examination of applications to sell foreign credits in this market, and to others granting long credits not offered through underwriters, and by a system of charges on all foreign exchange transactions within the United States in which both of the currencies involved are not on a full gold standard basis, but so limited as to provide the corporation with no more than a reasonable reserve for future operating expenses and a reasonable return on its capital.

In addition, changes in our banking set-up should be made such that gold movements will no longer change the volume of reserves of banks which are members of the Federal Reserve System, and thus remove an influence which may, under the extraordinary conditions with which we are likely to be faced, interfere with the convenient execution of domestic monetary policy.

OUR REPORTER'S REPORT

At least two and possibly three large syndicates are expected to seek the Illinois Power Co. (formerly Illinois-Iowa Power Co.) $65,000,000 of first mortgage and collateral trust bonds when bids are opened next Monday.

This undertaking will represent the largest single offering in the new issue field in recent months and will be handled, naturally, by a syndicate that has prepared itself for nationwide distribution.

It will serve, moreover, to start the current month off properly from the dealers' point of view since the business is of proportions which will demand work in marketing.

However, since the market had experienced a veritable dearth of new offerings, until the middle of last month, dealers have had ample opportunity to work off unsold balances of other issues and their shelves are literally bare.

Meanwhile behavior of most recently marketed public utility issues suggests a receptive market. Institutional investors have been hard put to find outlets for their funds, except, of course, in Government loans.

While they have been buyers of the latter securities on a huge scale, there is nonetheless a disposition to seek out corporate obligations when these are available.

Central Power & Light

The Central Power & Light Co.'s $25,000,000 of first mortgage 3⅛% 30-year bonds, offered publicly yesterday at 99½, brought out bids from three banking groups on Monday.

And the spread between the winning bid and that made by the third competitor indicates that bankers have their own ideas as regards the market and prices.

The winning tender yielded the company a price of 98.269 and was a full 1.30 points above the lowest bid of 97.139. The third bidder came in between, offering to pay 97.259 for the issue.

Latest reports last night indicated that the bonds were moving out in satisfactory manner to investment sources.

Another Issue Clears SEC

With its refinancing plan, as amended, having passed muster at the Securities and Exchange Commission, subject to certain conditions, the Utah Power & Light Co. should be sending out a call shortly for bids on its projected new offering.

This deal involves the sale of $42,000,000 of new first mortgage bonds which will provide funds necessary to finance the retirement of $32,187,000 outstanding mortgage bonds of the company and $11,813,000 additional of subsidiary company obligations.

The Commission qualified its approval of the program to the extent that the company must agree to eliminate alleged write-ups and other inflationary items involving $32,000,000 in accounts of subsidiaries, and adjust its equity capital to one class of stock.

Dealers vs. Underwriters

Underwriters who have maintained close working affiliation with well-established dealer firms are finding that such associations are paying big dividends these days.

Discussing this particular phase of the investment set-up, an official of one of the largest underwriting houses pointed out that dealer firms have not been hit nearly so hard by the draft and other consequences of the war as have the larger organizations.

Consequently, he said, whereas the bigger firms have lost many of their active salesmen, usually the younger fellows in an organization, and thereby their direct contact with many investors, the dealers, on the other hand, mostly older men and long in the business, are still able to go out and do a real selling job.

Memorial Service To Honor War Dead Of NYSE Community

A memorial service in honor of the members, partners and others of the New York Stock Exchange community who have made the supreme sacrifice in the war will be held on Dec. 7 in Trinity Church, Wall Street and Broadway. The half-hour service will commence at 8:45 o'clock a.m.

Prayers will also be offered at the solemn service for the 5,632 Stock Exchange associates, who are on the far-flung battle-fronts of the world. The service will be conducted by the Rev. Father Donald H. Morse, and the Rev. Dr. Frederic S. Fleming, Rector of the Parish of Trinity Church, will deliver the memorial address.

Emil Schram, President of the Stock Exchange, invites all members, partners and employees, as well as members of the financial community generally, to attend.

"Let's Sum Up"

Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting review of rail reorganization cases entitled "Let's Sum Up." Copies of this circular may be had from the firm upon request.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2209)

ket (with rare exceptions) refuses to act as a unit. One part of the market may indicate higher prices, while at the same time another part indicates lower prices. Frequently both are right at the same time. A farm bloc clamoring for higher commodity prices should mean the renewal of inflation fears with the market acting as a mirror for all these fears. Yet we know that despite Congress' willingness to give certain interests what they seek the market has refused to budge. Attempting to analyze all the known factors and applying them to market forecasts seem only to stir up an already muddy pool.

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Based on market action alone, however, certain stocks act well enough to warrant a little nibbling; but nibbling only. Don't take a mouthful. You may not be able to swallow it, and if you can, you may get indigestion.

* * *

I still consider U. S. Steel as the leader in any new move. If Big Steel can't go anywhere, I don't think the rest of the market will go anywhere either. So I advise buying U. S. Steel between 46 and 48. I know this means lower prices, but that's what I expect. I have some other stocks in mind but I would like to watch them for another week before I recommend them.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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GENEVA, SWITZERLAND

Treasury Renews Request For $10.5 Billion In New Taxes But Opposes Sales Levy

(Continued from page 2206)

After presenting the Treasury's proposed tax boosts, Secretary Morgenthau was questioned by Committee members as to the merits of a sales tax. He reiterated the Treasury's position that it was not recommending any type of sales tax and that its opposition to compulsory savings was unchanged. Mr. Morgenthau said he had no "phobia" against the sales tax but believes it is the least desirable of all methods of raising additional revenue. He also expressed the opinion that the House bill "falls far short even of an attempt to meet our fiscal needs in a realistic and courageous way."

In Associated Press advices from Washington Nov. 29 it was stated:

Mr. Morgenthau's renewal of the Treasury recommendation for a tax shift which would lift income levies off about 9,000,000 persons in the lowest brackets was accompanied by the assertion that this group would pay out about $1,000,000,000 through increased excise levies. This prompted Chairman George to assert that the figure showed the sources of some of the inflationary pressure on prices.

"It seems very clear," he said, "that if these 9,000,000 people are spending anything like $1,000,000,000 in excise taxes, that you are close to the inescapable conclusion that there is a tremendous pressure on prices in that group."

Senator George asked whether it was Mr. Morgenthau's position that the Treasury was not recommending any type of sales tax and that its opposition to compulsory savings was unchanged.

"That is correct," the Secretary replied.

"If we are to step up taxes, in view of the already rapid step-up that has been made, then the committee probably would want to take the view that all methods of rasing taxes ought to be left open, even though you don't agree," Mr. George said.

Randolph Paul, General Counsel of the Treasury, also appeared before the Senate group on Nov. 25, testifying in opposition to several phases of the House-approved bill. Mr. Paul particularly criticized the House's formula for integrating the present 3% Victory tax with the regular income levy and also said the Treasury would prefer higher normal and surtax rates for corporations to the excess profits tax rate increase voted by the House.

The debate in the House on Nov. 24 for passage of the $2,140,000,000 revenue measure was led by Representative Doughton (Dem., N. C.), Chairman of the Ways and Means Committee, and by Representative Knutson (Rep., Minn.), ranking minority member of the Committee. A reference to the bill appeared in our Nov. 25 issue, page 2125.

A summary of the $2,140,000,000 tax bill adopted by the House follows, according to United Press advices:

Personal Income Taxes

The present 5% Victory tax is integrated with the normal income tax; technically, the Victory tax is repealed, but the normal income tax rate is raised from 6 to 10% and the earned income credit provision of existing law is repealed to make up the revenue derived from the Victory tax. A few slight changes also are made in the surtax schedules to effect the integration. The changes result in slight decreases in taxes due in some of the lowest brackets, and slight increases in brackets starting at about $2,500 for a married person with no dependents, or $4,000 for a married person with two dependents. In all, the changes are expected to yield an additional $154,800,000.

Corporation Taxes

Present corporate normal and surtax rates are retained. The excess profits rate is increased from 90 to 95%. The present 80% over-all ceiling with respect to corporate normal, surtax and excess profits taxes is retained.

A new schedule is adopted which reduces the invested capital credit with respect to invested capital in excess of $5,000,000, for purposes of calculating the excess profits tax. The new credits allowed are 8% for the first $5,000,000; 6% on $5,000,000 to $10,000,000; 5% on $10,0000 to $200,000,000, and 4% on more than $200,000,000. Present rates, on the same amounts, are 8, 7, 6 and 5%, respectively.

The specific exemption credit allowed for excess profits taxes is increased from $5,000 to $10,000.

All corporate tax changes are expected to yield $616,000,000 more than present law.

Excise Taxes

These excises would be increased, yielding an estimated additional $1,201,700,000:

Distilled Spirits—From $6 per 100-proof gallon to $9; yield $370,000,000.

Beer—From $7 a barrel to $8; yield, $70,000,000.

Wines, Still — Under 14%, 10 cents a gallon to 15 cents; 14 to 21%, 40 cents a gallon to 60 cents a gallon; over 21% $1 a gallon to $2; sparkling, 10 cents a half pint to 15 cents; other wines, 5 cents a half pint to 10 cents; total yield, $18,000,000.

Electric Light Bulbs and Tubes —5% of manufacturers' sales price to 25%; yield $20,000,000.

Jewelry—10% of retail price to 20%, yield $72,500,000.

Fur and Fur-Trimmed Articles —10% of retail price to 25%; yield $54,800,000.

Luggage, Handbags, Wallets, etc.—10% of manufacturers' sale price on luggage only to 25% of retail price on all; yield $53,400,000.

Toilet Preparations — 10% of retail price to 25%; yield, $51,400,000.

Telephone, Telegraph, Radio, etc. — Local telephone, 10% of charge to 15%; long distance telephone, 20% to 25%; telegraph, radio and cable, 15% to 25% for domestic and 10% to 15% for international; leased wires, 15% to 20%; wire and equipment service, 5% to 7%. Yield, for local telephones $48,900,000, for all others $48,800,000.

Transportation of Persons—10% to 15%; yield $75,000,000.

Transportation of Property, Present Rates—3% in general, and 4 cents a short ton for coal retained, and applied also to fourth-class mail. Yield, $4,500,000.

Admissions—General admissions, from one cent for each 10 cents or fraction thereof to 2 cents; leased boxes, from 11 to 20%; yield, $163,500,000.

Cabarets—From 5% of charge to 30%; yield, $91,300,000.

Club Dues and Initiation Fees—From 11 to 20%; yield, $5,100,000.

Bowling Alleys, Billiard and Pool Tables—From $10 an alley to 20% of charge, and from $10 per table to $20; yield, $27,000,000.

Pari-Mutuel Wagers — None at present to 5% of total wagers; yield, $27,500,000.

Postage Rates

First Class — From 2 cents an ounce for local mail to 3 cents (no change on out-of-town mail); yield, $44,000,000.

Air Mail—From 6 cents to 8 cents an ounce; yield, $11,000,000.

Third Class—From 1 and 1½ cents for each 2 ounces (according to type of mail) to 2 and 3 cents; yield, $74,400,000.

Money Orders—From 6 to 22 cents an order, depending on amount, to 10 to 37 cents cents; yield, $21,000,000.

Registered Mail—From 15 cents to $1 an article, depending on value, to 20 cents to $1.35; yield $4,500,000.

Insured Mail—From 5 to 35 cents an article, depending on value, to 10 to 70 cents an article; yield, $6,500,000.

C.O.D. Mail—From 12 cents to $1.20 an article to 24 cents to $2.40 an article; yield, $5,400,000.

Total postage yield, $166,800,000.

What About Gold?

(Continued from first page)

Gold the Only Answer

Changing values in money bring great personal hardships. They also disorganize and retard all economic progress. In the hesitancy of the investor, in the uncertain moves of business, in the fear of labor and in the ineffectiveness of legislation, we see continually growing signs of distrust in the value of our dollar. In terms of pre-war values, today's dollar is now worth 75 cents. As inflation increases and under our present system of managed currency, I can visualize in the next five or six years a dollar worth perhaps only 35 cents.

After the last war, during the '20s and '30s, the business interests in Germany, France and Central Europe were paralyzed because of the rapid changes in the value of their currencies. Good money and sound trade are boon companies. Poor money and even fear that money will become less valuable causes waste and panic. The most prosperous times and the period in which trade and industry advanced the most both here and abroad were when the British pound and the American dollar were tied to a gold standard. Then they were exchangeable for a definite amount of gold of a definite weight and fineness.

World Bank Coming

I doubt if gold soon circulates again as money. I believe, however, that a world-wide bank or gold corporation may be organized with actual gold in the form of coin or bullion as its capital. Private capital will then be encouraged to finance post-war trade and business. If such capital became frightened, this "International Bank" could guarantee any loans. It could also make loans on its own account to private business to cover goods in transit. Like our Federal Reserve System, it might prove a highly profitable and useful enterprise.

Dr. Harry D. White of our Treasury Department and John Maynard Keynes, the British money authority, have both proposed plans for stabilization of international currencies. The White plan favors an actual gold fund. The Keynes plan favors large credits over a long period of time without requiring member countries of the World Bank to put up any gold. This Keynes idea is highly inflationary. At the moment the White proposal looks the best. Unquestionably a bank plan will be worked out with most of the 25 United Nations' governments.

People Want Gold

In World War I it was gold, not currency, which Colonel Lawrence used in order to win the support of Arab tribesmen. History repeated itself when our own General Mark Clark landed in Africa with a bag of gold. Gold will always talk when no other form of money is effective. That a natural demand for gold exists today is shown by the price of gold in the Bombay and Cairo markets where it is selling for almost double the United States price of $35. This strengthens my belief that international currencies, including our own, will be further reduced in value. This would mean further monetary inflation and a rise after World War II of consumer inflation followed by even more monetary inflation.

Countries in which gold will freely circulate as a medium of exchange will be the best off. Countries which attempt to get along with some form of managed currency will be in the worst shape. Hence, we should ultimately have in some form a currency which even if the circumstances were restricted would be exchangeable for gold. Thus, I predict that our present managed money system is on the way out.

Watch Gold Stocks

More money has probably been lost through speculating in gold shares than in any other stocks. On a long-term basis, however, I now favor stocks of gold-mining companies which were profitably producing before World War II. During the war gold is subordinate in importance to nickel and copper and to the products of many other mines. In view of this, and the manpower shortage, nearly 60% of the mines in the United States, Canada and South Africa have shut down. The remaining are operating on a greatly reduced basis; in fact, gold production in United States and Canada is less than at any time in 100 years.

After the war, when all efforts are turned to stimulating world trade, gold may prove the only medium through which international payments can be made. Thus, gold may rise in value in terms of our present currency. Furthermore, as restrictions are lifted with respect to manpower and materials, after the war there should be a return of earning power to the gold industry. Certainly it is no time to sell gold stocks. New purchases should be confined to producing companies with the best ore rating whose over-all cost of production is reasonably low.

Investment Trusts

(Continued from page 2221)

adapted to the needs of many investors today. . . ."

* * *

Lord, Abbett's current issue of **Abstracts** makes an interesting comparison between the market action of "war" stocks and "peace" stocks during and after the First World War. Charts are presented to show a wide variation in performance between these two groups. The bulletin concludes:

"In November of 1918 a poorly diversified account, or an account weighted in wrong industries, experienced a difficult period despite the generally rising market. This drives home the necessity of a diversification pattern geared to actual conditions, and explains why informed management and careful supervision will be as essential over the next two years as it was 25 years ago."

* * *

National Securities & Research Corp. announces that total net assets of its six **National Securities Series** as of Oct. 31, 1943 were $6,225,339 compared with $3,669,463 a year ago. The following comparison of net asset values is given:

	—October 31—	
	1943	1942
Bond series	$6.73	$5.95
Low-priced bond series	5.96	4.97
Preferred stock series	6.46	5.50
Income series	4.28	3.61
Low-priced common stock series	2.89	2.08
International series	13.73	10.82

* * *

The current issue of **Investment Timing** contains a discussion of "Advantageous Security Transactions from Tax Standpoint." The 75% abatement, the "anti-windfall" tax, capital gains and losses and other features of the present tax laws are discussed.

* * *

Keystone Corporation has reissued its "Planned Investment Program" schedule which facilitates the setting up of an investment program to yield a regular monthly income. All 10 of the various Keystone Custodian Funds are used in this program.

As of Nov. 1, 1943, the 10 Keystone Custodian Funds had total net assets of $64,000,000, owned by 34,000 individual and institutional investors. Total distributions, regular and special, since inception of the Funds, amounted to $16,100,000.

* * *

Distributors Group has issued a new folder on Railroad Shares, a class of Group Securities invested in high-yielding railroad bonds. The folder is entitled, "What Measures Value in Bonds?" and sets out to answer this question in clear-cut, simple language.

Two amazing facts are brought out by this folder. One is that the ACTUAL "times fixed charges earned" figure for all Class I railroads this year will be approximately 5.60 times as compared with an approximate REPORTED coverage of only 2.53 times. The other is that the net working capital position of the railroads is now approaching $2,000,000,000, or enough to pay all fixed charges for nearly three years.

The folder is attractively prepared and the major points are illustrated by means of colored charts.

* * *

Massachusetts Distributors' latest **Brevits** contains an interesting "definition" of Massachusetts Investors Trust, the "granddaddy" of the common stock investment funds.

According to a recent survey of MIT shareholders, "There are over 1,770 trust accounts located in 42 States in the Union in which shares of Massachusetts Investors Trust are held, including some 640 where banks are acting as trustees for individuals or estates. In addition, shares are held by some 1,200 institutional investors, including 296 associations, societies and lodges, 72 banks and trust companies, 110 churches, 455 corporations, 111 homes and hospitals, 53 insurance companies and 100 schools and colleges."

Grade Labeling Step Against Free Enterprise L. R. Maxon Declares

Grade labeling of canned goods represents the first step toward eventual destruction of the American system of free enterprise by government standardization and regimentation of goods and services, Lou R. Maxon, head of the advertising agency bearing his name and former Deputy Administrator of the Office of Price Administration, said on Nov. 23 in a talk before the Sales Executive Club, of New York. Mr. Maxon said: "Grade labeling, in my sincerest estimation, presents a serious threat to American industry and our way of life because it is, without question, the spearhead in the drive to eliminate brands, trade marks and eventually free enterprise."

His further comments are taken as follows from the New York "Herald Tribune" of Nov. 24:

Mr. Maxon declared that college professors, leftists and "dreamers" were still in the great majority on the staffs of government bureaus despite the recent sizable influx of business men in key posts.

"A strong part of this group," he said, "believes that the manufacture, standardization and distribution of all essential products should be placed under the arbitrary control of the government not just during the war, but permanently. And grade labeling, in my estimation, is the keystone of their effort."

Declaring that the OPA favored impractical theorists to men of sound business experience, he said young professors were considered most desirable because of their economic views.

Declaring that he was not opposed to grade labeling if it was instituted as a descriptive selling device, Mr. Maxon said:

"No one objects to honest descriptive labeling that gives the consumer complete information about the contents of a package. No one objects to the pure food laws designed to protect the health of the nation. No one objects to the law requiring the listing of ingredients on a label.

"There is nothing wrong with the grade-labeling idea as such. But once grade labeling becomes effective the next step is for pressure to be put behind the second very natural question of why should one Grade A product cost more than another Grade A? They are both Grade A, aren't they? So, logically, why not a flat price to cover the grade?

"When that flat price is set low enough—and it will be set low enough—that will be the end of competition in the food business, of food research, of food progress and the beginning of a regimented, standardized, rationed world. In these two simple steps there can be the end of brand names, the end of a free press and the beginning of the end of quality backed by a manufacturer's reputation. And, since grade labelers definitely say they want grade labeling so they can have flat pricing, there is no doubt about step number two."

Mr. Maxon, acknowledging that many consumer groups supporting grade labeling were sincere and independent, nevertheless stated that much of the organized consumer agitation for such legislation is Communist-inspired. He quoted a Dies Committee report to bolster his contention.

Labor also was censored by Mr. Maxon for its endorsement of grade labeling. He declared that grade labeling was against the best interests of labor and, if carried to its logical conclusion of complete standardization of all products, would curtail production and inevitably result in widespread unemployment.

Mr. Maxon called for an immediate awakening of industry to the need for making the public aware of its great contributions to the American standard of living. He said the public must be informed now through the press, radio and other public relations media that business has discharged its social responsibilities creditably and will continue to do so after the war.

"I urge industry publicly and continually," he continued, "to match its actual achievement for the common man against the glowing promises of political opportunists."

Sternberger & Company Opens In Memphis

MEMPHIS, TENN. — David Sternberger has formed Sternberger & Company with offices at 71 Madison Avenue, Commerce Title Building, to engage in a securities business. Mr. Sternberger was formerly in the investment business in Memphis.

New Trends In Distribution Of Listed Securities

Several new conclusions are now possible with regard to the distribution of blocks of listed securities, according to an interesting brochure prepared by Shields & Company, 44 Wall St., New York City, members of the New York Stock Exchange. Copies of this booklet may be obtained from Shields & Company.

Calendar Of New Security Flotations

OFFERINGS

CENTRAL POWER & LIGHT CO.

Central Power & Light Co. has filed a registration statement for $25,000,000 first mortgage bonds, Series A, 3⅛%, due Nov. 1, 1973.

Address—120 North Chaparral Street, Corpus Christi, Texas.

Business—Operating public utility company.

Underwriting—Bonds are to be offered for sale at competitive bidding. Names of underwriters will be supplied by post-effective amendment.

Offering—Price to the public will be supplied by post-effective amendment.

Proceeds—Proceeds from the sale of the bonds, together with other funds of the company as may be required, are to be applied to the redemption, at 105%, of $25,000,000 face amount of first mortgage bonds, Series A, 3¾%, of the company, due Aug. 1, 1969, the redemption of which bonds will require, exclusive of accrued interest, $26,250,000.

Registration Statement No. 2-5251. Form A-2. (11-12-43).

Registration statement effective 5:30 p.m., EWT, on Nov. 22, 1943.

Bonds Awarded Nov. 29, 1943, to Halsey, Stuart & Co. and associates on their bid of 98.269.

Offered—Issue offered Dec. 1, 1943, by Halsey, Stuart & Co., Inc., and associates, at 99½ and int.

AUTOMATIC PRODUCTS CO.

Automatic Products Co. has filed a registration statement for $350,000 serial first mortgage bonds dated July 1, 1943, due serially each July 1, from 1944 to 1953.

Address—2450 N. 32nd Street, Milwaukee, Wis.

Business—Manufactures various types of air conditioning, refrigeration and heating controls.

Underwriting—Loewi & Co., Milwaukee.

Offering—Price to the public to be supplied by amendment.

Proceeds—To be applied to the payment of outstanding first mortgage 4½% notes of the company and of Bolens Products Co. in the principal sum of $292,168. Balance will be added to working capital.

Registration Statement No. 2-5253. Form S-1. (11-13-43).

Offered Nov. 30, 1943, by Loewi & Co. at prices ranging from 101 and int. to 102 and int., according to maturity. Bonds carry int. rates of 4½, 4¾ and 5%.

PENNSYLVANIA ELECTRIC CO.

Pennsylvania Electric Co. has filed a registration statement for 34,000 shares of cumulative preferred stock, 4.40% Series B, $100 par value.

Address—222 Levergood Street, Johnstown, Pa.

Business — Production, purchase, transmission, distribution and sale of electricity.

Underwriting—Company has entered into an agreement with Mellon Securities Corporation and the First Boston Corporation to use their best efforts to obtain exchanges of stock and to enlist assistance of dealers in obtaining such exchanges.

Offering—Company offers to the holders of its cumulative preferred stock, 5.10% Series A, the opportunity to exchange their shares for cumulative preferred stock, 4.40% Series B, on the following basis: For each share of 5.10% Series A stock there will be delivered one share of 4.40% Series B stock plus $1 in cash. Any shares of the 5.10% Series A stock not deposited for exchange will be called for redemption on or about Dec. 31, 1943, at $108.75 per share plus accrued dividends. The exchange offer will expire 12 o'clock noon, Nov. 27, 1943.

Purpose—To effect exchange of stock.

Registration Statement No. 2-5248. Form S-1. (11-4-43).

Registration statement effective 3 p.m., EWT., on Nov. 20, 1943.

Offered—Unexchanged shares offered Nov. 30, 1943, by Mellon Securities Corp. and The First Boston Corp. at $108.75 per share and div.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

THURSDAY, DEC. 2

MICHIGAN CONSOLIDATED GAS CO.

Michigan Consolidated Gas Co. has filed a registration statement for $38,000,000 first mortgage bonds, 3½% series due 1968, and 40,000 shares 4¾% cumulative preferred stock, par $100 per share.

Address—415 Clifford St., Detroit, Mich.

Business—Engaged in the natural and manufactured gas business in Michigan.

Underwriting—Securities are to be offered for sale at competitive bidding and names of underwriters will be supplied by amendment.

Offering—Prices to the public will be supplied by post-effective amendment.

Proceeds—Company intends to use the proceeds from the sale of the bonds and the preferred stock ,together with a portion of the proceeds from the sale of additional shares of common stock, to redeem on or before Jan. 20, 1944, the entire issue of first mortgage bonds, 4% series due 1963, outstanding in the face amount of $36,000,000; to redeem the entire issue of 4% serial notes, due Aug. 1, 1944-48, outstanding in the face amount of $4,150,000, and to redeem on March 1, 1944, at $110 per share, the entire issue of its 6% preferred stock, par $100 per share, of which 20,000 shares are outstanding.

Registration Statement No. 2-5252. Form S-1. (11-13-43).

Amendment filed Nov. 26, 1943, to defer effective date.

WALWORTH COMPANY

Walworth Company has filed a registration statement for 100,000 shares of 5% convertible preferred stock, cumulative, par value $50 each, and 500,000 shares of common without par value which are reserved for the conversion of the preferred stock.

Address—60 East 42nd St., New York City.

Business—Company and its subsidiaries constitute an integrated unit engaged principally in the manufacture, sale and distribution of valves and pipe fittings made of steel, iron, bronze and brass. It now manufacture sapproximately 50,000 different items of valves and fittings.

Underwriting—E. H. Rollins & Sons, Inc., and Paine, Webber, Jackson & Curtis are named principal underwriters. Others will be named by amendment.

Offering—Price, $50 per share.

Proceeds—Of the proceeds, $619,120 will be applied to the retirement of the 61,912 shares of 6% preferred stock now outstanding; $2,943,500 to the retirement in part of outstanding 20-year first mortgage 4% bonds of the company and reimbursement of company for moneys expended in acquiring such bonds and for working capital.

Registration Statement No. 2-5254. Form S-1 (11-13-43).

SATURDAY, DEC. 4

INSURANCE SECURITIES, INC.

Insurance Securities Incorporated has filed a registration statement for 820 units—single payment plan—Series T to create 400,000 investment units; 1,400 units—accumulative plan—Series D to create 450,000 investment units.

Address—416 13th St., Oakland, Cal.

Business—Investment trust.

Underwriting—Trust fund sponsored by Insurance Securities, Inc.

Offering—At market.

Proceeds—For investment.

Registration Statement No 2-5255. Form C-1 (11-15-43).

TUESDAY, DEC. 7

KRUPP-FLAHERTY OIL CORP.

Krupp-Flaherty Oil Corporation has filed a registration statement for 20,000 shares of common stock.

Address—Caples Building, El Paso, Texas.

Business—Corporation was organized on March 11, 1940, under the laws of the State of Delaware for the purpose of, and has been engaged in the drilling of wells for oil and gas and the operation thereof.

Underwriting—None named.

Offering—Price $35 per share.

Proceeds—All proceeds go to issuer, subject to cost of sale of issue. Proceeds will be used for drilling expenses and payment of all or part of the obligations of the company incurred in development work.

Registration Statement No. 2-5256. Form S-2. (11-18-43).

KNUDSEN CREAMERY CO. OF CALIF.

Knudsen Creamery Co. of Calif. has registered $350,000 5½% sinking fund debentures due 1955.

Address—Los Angeles, Calif.

Business — Processing and distributing dairy products.

Underwriting—Dean Witter & Co.

Proceeds—For plant site, plant equipment and working capital.

Registration Statement No. 2-5257. Form S-1 (11-18-43).

SATURDAY, DEC. 11

CLEARING MACHINE CORPORATION

Clearing Machine Corporation has filed a registration statement for 20,000 shares of common stock, $1 par value. The shares registered are already issued and outstanding and do not cover new financing by the company.

Address—6499 W. 63rd Street, Chicago, Ill.

Business—Manufacture of metal working machinery.

Underwriting—Bacon, Whipple & Co., Chicago, head the list, with names of others to be supplied by amendment.

Offering—Price to public to be supplied by amendment.

Proceeds—The shares registered and to be offered are being sold by certain stockholders of the company who will receive the proceeds from the sale. The stockholders in the selling group and number of shares being sold are: Henry P. Isham, individually, 2,000; Henry P. Isham, trustee, 366; Henry P. Isham, trustee, 366; Henry P. Isham, trustee, 366; Elisabeth T. Isham, 796; John I. Shaw, nominee, 1,597, and Rudolph W. Glasner, 14,509. The latter is president, treasurer and director and held prior to proposed sale 30,272 shares.

Registration Statement No. 2-5258. Form S-1. (11-22-43.)

SUNDAY, DEC. 12

DIVIDEND SHARES, INC.

Dividend Shares, Inc., filed a registration statement for 12,500,000 shares of capital stock, 25 cent par value.

Address—1 Wall Street, New York City.

Business—Investment company.

Underwriting—Supervised by Calvin Bullock.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5259. Form S-5. (11-23-43.)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

BONWIT TELLER, INC.

Bonwit Teller, Inc., has filed a registration statement for 35,565 shares of 5½% cumulative convertible preferred stock, $50 par value, and 108,913 shares of common stock, par $1 per share. The latter includes 88,913 shares of common reserved for issuance upon the conversion of the 5½% cumulative convertible preferred stock registered, at the present rate of conversion, which may vary from time to time in the event of certain contingencies. The shares are issued and outstanding and the offering does not represent new financing by the company.

Address—721 Fifth Avenue, New York City.

Business—Owns and operates one of the outstanding large specialty stores in the United States.

Underwriting—Allen & Co., New York City, is named principal underwriter for both the preferred and common stock.

Offering—The offering price to the public of both the preferred and common stock will be supplied by amendment. The prospectus offers the 35,565 shares of 5½% preferred and 20,000 shares of common stock. The shares are presently issued and outstanding and are being purchased by the underwriters from Atlas Corporation and its subsidiary Rotary Electric Steel Co. Atlas Corporation, directly and indirectly, has been the controlling stockholder of the company since its organization.

Proceeds—Proceeds will go to the selling stockholders.

Registration Statement No. 2-5245. Form A-2. (10-29-43).

CENTRAL ZONE PROPERTY CORPORATION

George E .Roosevelt, Henry R. Hayes and Walter Frank, New York, as voting trustees, have filed a registration statement for voting trust certificates for not more than 21,165 shares of common stock of Central Zone Property Corporation, of the par value of $1 per share.

Address—14 Wall Street, New York City.

Business—Owns Central Zone Building.

Underwriting—None named.

Offering—Proposed offering to be made on or about Nov. 15, 1944. The voting trust agreement is dated Jan. 2, 1944. The maximum period of duration of the agreement is 10 years. The agreement provides for an initial duration of five years subject to extension by action of the holders of not less than 51% of voting trust certificates representing stock deposited under the agreement. The agreement shall be terminated without action by the voting trustees upon the liquidation or dissolution of Central Zone Property Corporation. It may also be terminated by action of the holders of certificates representing 80% of the stock deposited thereunder.

Purpose—To renew present voting trust which expires Jan. 2, 1944.

Registration Statement No. 2-5238. Form F-1. (10-26-43).

Registration statement effective 3 p.m., EWT., on Nov. 27, 1943.

CERTAIN-TEED PRODUCTS CORPORATION

Certain-teed Products Corporation has filed a registration statement for $6,737,300 4% cumulative income debentures (subordinated) to be due Oct. 31, 1973; 134,746 shares of common stock, $1 par value, and certificates of deposit for 67,373 shares of 6% cumulative prior preference stock.

Address—120 South LaSalle Street, Chicago, Ill.

Business—Business consists generally of manufacturing and selling asphalt roofing, shingles and related products, wallboard and gypsum products, boxboard and various other products.

Underwriting—Paul H. Davis & Co., Chicago, is named principal underwriter. or dealer manager and company will pay to selected dealers a commission for the deposit of shares of preference stock pursuant to an offer of exchange.

Offering—The company offers to the holders of the outstanding 67,373 shares of its 6% cumulative prior preference stock the right to exchange such shares for the new income debentures and shares of common stock on the basis of $100 principal amount of income debentures and two shares of common stock for each share of 6% cumulative prior preference stock. The registration statement states that the company proposes, under certain conditions, to issue to the holders of the 625,340 shares of common stock presently outstanding, common stock purchase warrants entitling the holders in the aggregate to purchase, at a price to be announced later, 208,446 additional shares of common, and to issue and sell such shares of common stock not taken up by the warrant holders. The company also proposes, under certain conditions, to issue and sell $5,500,000 principal amount of new serior debentures and to apply the proceeds of the sale of the new senior debentures, together with other funds, to the redemption of the outstanding debentures. There are $7,100,000 face amount of 20-year 5½% sinking fund gold debentures, Series A, due March 1, 1948, now outstanding. The interest rate of the new senior debentures has not been finally determined, but will not exceed 4½% per annum. The income debentures will be subordinated to the new serior debentures and to other indebtedness of the company. The company reserves the right to revoke the offer of exchange unless within a certain date holders of not less than 57,250 shares of the preference stock accept the offer. The proposal to issue common stock purchase warrants to present common stockholders and the procurement of a commitment for the purchase of any common stock not subscribed for by common stockholders and the issue and sale of the new senior debentures is contingent upon the exchange offer being declared effective by the company.

Proceeds—The proceeds to the company of the income debentures and shares of common stock offered will consist of shares of the preference stock exchanged and all such shares of preference stock will be retired and the capital of the company will be reduced by the sum of $100 for each share retired. For each share of common issued pursuant to offer, the sum of $1 will be deducted from capital surplus account and credited to capital account represented by such share.

Registration Statement No. 2-5241. Form S-1. (10-27-43).

Amendment filed Nov. 26, 1943, to defer effective date.

CENTRAL VERMONT PUBLIC SERVICE CORP.

Central Vermont Public Service Corp. has filed a registration statement for 197,954 share sof common stock, no par value.

Address—121 West St., Rutland, Vt.

Business—Operating public utility.

Underwriting—Shares are to be sold at competitive bidding pursuant to Commission's Rule U-50 and names of underwriters will be supplied by amendment.

Offering—The company will invite bids for the purchase of 195,000 shares of the common stock and offering price to the public will be supplied by post-effective amendment. New England Public Service Co. has agreed to purchase the balance of 2,954 shares of common stock at $16.25 per share.

Proceeds—Sale of the common stock is an integral part of a plan providing that Twin State Gas & Electric Co. will be merged into Central Vermont pursuant to the plan filed with the Commission some time ago. Contemporaneously with the issuance of the common stock registered, the company will issue and sell privately for cash $500,000 in face amount of its first mortgage bonds, Series C. The interest rate and price received will be furnished by amendment. Proceeds from the sale of the common stock and bonds will be used to pay a bank loan of $150,000; to pay cash to holders of 24,550 shares of 7% prior lien stock of Twin State as provided in merger agreement in an amount equal to $110 per share plus unpaid dividends; to acquire $40,000 of 3% debentures due Dec. 1, 1956, and $8,000 of 5% debentures of subsidiaries and to provide for additional working capital.

Registration Statement No. 2-5250. Form A-2. (11-11-43).

Amendment filed Nov. 26, 1943, to defer effective date.

DERBY GAS & ELECTRIC CORP.

Derby Gas & Electric Corp., a subsidiary of Ogden Corp., registered 91,577 shares of its common stock without par value with the SEC. This stock is already issued and outstanding, and the shares are not being offered by or for the account of the company. They are to be sold by Ogden Corp., as part of its plan to dispose of its public utility investments in accordance with the Public Utility Holding Company Act of 1935.

Address — One Exchange Place, Jersey City, N. J.

Business — The company is engaged primarily in the generation, distribution and sale of electric energy and manufactured gas.

Underwriting—Ogden Corp., after the registration becomes effective, will publicly invite sealed proposals for the purchase or underwriting of these shares. The result of the bid opening will be filed by amendment later.

Offering—Terms will be filed by amendment later.

Registration Statement No. 2-5213. Form S-1. (9-15-43).

Amendment filed Nov. 11, 1943, to defer effective date.

PACIFIC MUTUAL LIFE INSURANCE CO. OF CALIFORNIA

A. C. Balch, F. E. Rand and Leslie Waggener as the Pacific Mutual Shareholders Protective Committee have filed a registration statement with the SEC for voting trust certificates for 508,200 shares of common stock, par $1 per share, of Pacific Mutual Life Insurance Co. of California.

Address — Of issuer, 626 South Spring St., Los Angeles, Cal. Executive office, 523 West Sixth St., Los Angeles, Cal.

Business—Life insurance.

Purpose—The agreement places no limitation upon the powers of the committee to vote the shares held by it. However, one of the main objectives of the committee is to vote the securities held by them in connection with the said so-called plan and agreement of rehabilitation and reinsurance and mutualization affecting the Pacific Mutual Life Insurance Co. of California.

Registration Statement No. 2-5098. Form F-1. (2-19-43).

Amendment filed Nov. 24, 1943, to defer effective date.

(This list is incomplete this week)

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"Our Reporter On Governments"

By S. F. PORTER

Those new 2¼% bonds well may be the best bond we've seen in years . . . . The best from a trading point of view, an investment point of view . . . . The coupon is exactly what the big non-banking buyers have been asking for . . . . It's intriguing the commercial banks, too, in a way this reporter hasn't witnessed in many, many a month . . . . At last Secretary Morgenthau is going to give us the obligation which will bring life, color and interest back to the Government market . . . . And unless the situation changes drastically between now and Jan. 18, you'll be seeing a subscription scramble by the important investors that will make the first three drives look tame. . . .

This is strong talk, but it is an accurate reflection of the sort of gossip in New York today . . . . The 2¼s will be dated Feb. 1, 1944, due Sept. 15, 1959, callable Sept. 15, 1956 . . . . The maturity is 15 years, therefore; but since the way to figure this type of bond is on the call date, the actual maturity may be placed at 12 years . . . .The coupon of 2¼% represents a concession to the out-of-town institutions which have been begging for a better-than-2% rate, and it surely looks attractive in comparison with the interest most investors have been marking on their books . . . . In addition, commercial banks will be able to buy as many of these as they want only two and one-half years from the date of issue . . . . Which is a major point in their favor . . . . And, as you know, banks will have some chance to pick up a few under a formula permitting limited investment of time deposits in either the new 2¼s or new 2½s . . . .

So often popular bonds become so because of the psychological reaction at the time they're sold . . . . The 2¼s have met so excellent a response to date that this column goes on record with the prediction that these will give us the first "real run" since the June, 1943, financing. . . .

Incidentally, the 1959 and 1956 years are relatively empty of maturities as of this moment . . . . There is a tax-exempt 2¾ of 9/15/59/56 outstanding and selling at 111⅜ to yield 1.47 after taxes . . . . And there is a taxable 2½ of 3/15/58/56 selling at 103½ to yield 1.30 after taxes . . . . But otherwise both years are clean . . . . Which is another point in favor of the bonds, for, obviously, an institution with a large portfolio will be predisposed to the purchase of a maturity rounding out its holdings. . . .

TOO MANY 2½s?

The 2¼, then, was an excellent choice and all the professionals are looking forward to the Fourth War Loan campaign and the outcome of this offering. . . .

But the 2½s present a different picture . . . . And the feeling of most experts here is that Morgenthau now is issuing too many of these . . . . He's overplaying the market a bit . . . . He's repeating himself on this loan too frequently and it may be smart to end these offerings as soon as possible . . . . Of course, the 2½s are decided upon now . . . . So this next one must be excluded from any calculations. . . .

For Dealers . . .
5 stocks with post-war prospects in the Non-Stop Air Pick Up, Home Laundry, Electronics, Die Casting and Television fields.
All American Aviation, Inc.
Bendix Home Appliances, Inc.
Allen B. DuMont Laboratories, Inc.
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Commercial banks will be able to pick up some of these too, depending on their time deposits and the Treasury's restrictions . . . . Chances are, though, that most commercial banks will stick to the 2¼s—not because of their lack of desire to get the higher interest but because of the due date involved. . . .

This will represent the fifth "tap" or "on sale" 2½s sold in the last two years . . . . With maturities ranging from 1967 to 1970 and due dates from 1962 to 1965 . . . . There already are $12,500,000,000 of these out . . . . When the Fourth War Loan drive ends, the total probably will be up to the $15,000,000,000 mark . . . . Which is plenty for a single type of loan. . . .

INTEREST AGAINST CAUTION

In at least one sense, the people holding off from buying the market now in order to wait for the Fourth War Loan are cheating themselves and ignoring a prime rule of the Government market . . . . Which is, bluntly, that interest can make up for a hoard of price sins . . . . Consider the 2½s, for instance. . . .

The outstanding 2½s due in 1969/64 currently are selling at 100.1 to 100.3 . . . . Between now and Feb. 1, when interest will begin accruing on the 2½s of 1970/65, the interest to be collected on the 1969/64 2½s amounts to about 16/32! . . . .

That's ½ point in interest alone . . . . On a bond identical to the new loan with the exception of due date . . . . And that's in favor of the outstanding security. . . .

In the old days, upon announcement of a new financing, the market immediately would move up or down in a range of one point in order to place the outstanding securities in line with the pending offerings . . . . But today the market just sits . . . . Nothing has happened especially to offset this tremendous difference in interest. . . .

The advantage of holding the outstanding 2½s to the date of the new offering is so obvious that this observer admits utter befuddlement at the lack of comprehension . . . . Actually, the outstanding 2½s as of this date of writing are ½ point cheaper (based on the old axiom about interest and price sins) than the to-be-sold bond. . . .

It's amazing . . . .

The same thing applies to the outstanding 2s of 1953/51. . . .

No more of these will be sold for months . . . . Perhaps for the balance of this fiscal year . . . . Yet the 2s are selling at 100.4 to 100.6 . . . . Interest to be obtained on these between now and the time the 2¼s are sold amounts to approximately 12/32. . . .

That's ⅜ of a point in interest alone . . . . On a bond due in 10 years, selling close to par and free from the pressure of a new offering of similar securities. . . .

If you have some cash around and are thinking of letting it lie until February, study these comments . . . . And see if you're acting wisely. . . .

RESTRICTING FREE RIDERS

There's lots of talk around about limiting subscriptions to the new 2¼s and new 2½s in January and February . . . . About drastic restrictions on bank lending to individuals who are buying bonds on thin margins . . . . There's no point in hiding from the fact that free riding in various forms reached excessive heights in September and October during the Third War Loan . . . . To be completely frank about it, that's the prime explanation for the sluggish action of the 2s and the fact that the 2s today are the cheapest bond on the list. . . .

During the Third War Loan there were some limitations on bank and Stock Exchange firm lending to speculators . . . . A few gentlemen's agreements among the banks, a few resolutions by individual boards of directors, a rule by the Stock Exchange. . . .

But huge numbers of people still bought the 2s and 2½s on margin . . . . Borrowed cash from their banks at lower rates than the bonds returned and made interest by so doing . . . . And sold out at the disappointly low premiums of 2 to 8/32 to freeze another small profit. . . .

It's no secret in Washington and Wall Street that this has been going on . . . . And the discussion now is what to do to prevent a repetition in January . . . . The Federal Reserve Bank of New York already has been holding meetings on the subject . . . . Restrictions already are being studied in detail. . . . .

One idea is to demand cash payment for all bonds from individual subscribers . . . . That's terribly harsh and is unlikely . . . . Another is that the Federal Reserve clamp down with a rigid rule covering member banks and outlining terms for loans to individual subscribers . . . . That is more probable . . . . A third is that a minimum margin of from 10 to 40% be demanded . . . . That's being considered . . . . A fourth is that a minimum term for holding be imposed . . . . Not so probable. . . .

But there'll be some action, it's believed . . . . Which will cut the overall subscription total to the $14,000,000,000 loan by a greater amount than most people anticipate. . . .

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Norfolk, Southern Ry. Possibilities Attractive

The common stock of Norfolk, Southern Railway offers interesting possibilities, according to a memorandum being distributed by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this memorandum, discussing the situation in detail, may be had from the firm upon request.

Payment On Rio Grande 6s

Holders of State of Rio Grande do Sul (United States of Brazil) 6% external sinking fund gold bonds due June 1, 1968, are being notified that funds have been remitted to its special agent, White, Weld & Co., for the payment of coupons due June 1, 1941, at the rate of 17.5% of the dollar face value, or $5.25 per $30 coupon. These funds have been remitted in accordance with the provisions of Presidential Decree No. 23829 of Feb. 5, 1934, as reenacted and modified by Decree Law No. 2085 of March 8, 1940. Cash payment of the above rate in full satisfaction of these coupons is now being made upon presentation and surrender of the coupons to the special agent at 40 Wall St., New York.

Unpaid coupons maturing Dec. 1, 1931, to Dec. 1, 1933, inclusive, must remain attached to the bonds for future adjustment.

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First Mortgage 6s, 1948
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The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 158 Number 4234 New York, N. Y., Thursday, December 2, 1943

The Financial Situation

The post-war world will be peopled with men and women whose basic reactions are little if any different from those of the men and women of 1913, 1918, 1929 or 1939. It would be strange, indeed, if mankind had learned nothing about itself in three decades, and it would be astounding if human beings had not become "conditioned," as the psychologists express it, in such a way as to fix responses to certain situations in relation to experiences of the past two or three decades. There is little reason to believe, however, that so far as the fundamentals of human nature are concerned, the learning process of the past few decades has gone very far beyond the superficialities, and any alteration in the behavior of human beings in the face of particular circumstances is the outgrowth of particularistic experience, and may or may not be either rational or enduring.

It seems appropriate to give expression at this time to these generalities—we had almost said platitudes—since, despite the fact that few would undertake an explicit denial of them, much of the current discussion of post-war matters abounds with assertions which can be true only if these propositions are false. In a sense, it is probably true that the rank and file throughout the world have "learned" a great deal about a great many things—thanks to the vastly improved means of transport and communications during the past two or three decades—but it is likewise true that a great deal of what they have learned simply is not so!

On Guard!

It would be well therefore for the public to be on guard when it hears of the "new economics" which will rule the post-war world. An equally skeptical attitude is in order when we are told of the sweeping "lessons" in economics that the past decade or two (most frequently the war years)

(Continued on page 2232)

Full Employment and High Production Basic Post-War Problems

Philip Murray Declares Steady Employment Of 55,000,000 Will Be Needed

Expressing the hope that in the post-war period "the old fight against labor organizations will be laid permanently to rest," Philip Murray, President of the Congress of Industrial Organizations, asserted on Nov. 23 that the basic problem will be that of achieving full employment, high production, and new levels of living.

In an address on the theme "The Challenge of Tomorrow," before the Economic Club of New York, Mr. Murray estimated that full employment will require about 55,000,000 people working steadily in "real" jobs with decent wages, and at the same time warned that "the concealed unemployment that hides behind short hours" must be avoided. He added that, with this employment and the immense production resources, the country can easily have a national income after the war of between $140,000,000,000 and $160,000,000,000.

Mr. Murray urged giving all legitimate encouragement to competitive enterprise, reducing monopoly, a reexamination of the entire tax structure and Government sponsorship of a public works program "adequate to help free competitive enterprise in the job of realizing full employment." He also said that income must be kept moving so as to prevent unemployment and waste.

Before the gathering, at which Winthrop W. Aldrich, President of the Economic Club, presided, Mr. Murray spoke as follows:

Mr. Aldrich, Gentlemen:

I deem it an honor and privilege to meet with you tonight. It is a source of genuine pleasure to talk with you respecting our plans and hopes for America Tomorrow. Tomorrow will soon be here. Complete United Nations victory in the war already casts a lengthening and welcome shadow across our paths.

The war has been a cruel and bitter experience for millions of people around the world. For Americans it has meant the lives of tens of thousands of brave young men, the disfigurement and disabling of thousands more. It has required the movement of millions of workers from their homes in town and farm to crowded centers of war production, where life at best has been one of strain and sacrifice. It has demanded and secured a vast production of food that is a memorial to the patriotism of farmers and the willingness of farm families to bear heavy burdens for the nation's welfare. And it has brought to business men profound changes in established practices, complicated controls by government, and

(Continued on page 2235)

Ruml Offers 9-Point Program For Post-War Fiscal Policy Which Will Help Create Good Products, Good Jobs and Good Investments—Reduction in Tax Rates Called For

Both Beardsley Ruml and Philip Murray (the latter President of the Congress of Industrial Organizations) discussed "The Challenge of Tomorrow" before the Economic Club of New York at the Hotel Astor on Nov. 23. In outlining his views, Mr. Ruml, who is Treasurer of R. H. Macy & Co., and Chairman of the Board of Directors of the Federal Reserve Bank of New York, made the statement that "today most business men agree that the elimination of mass unemployment is the first requirement for the post-war period." He went on to say that "many will go so far as to agree that unless mass unemployment can be eliminated under a system of private business enterprise, private business enterprise will be supplanted by some other arrangements for the production and distribution of goods and services." Stating that business is "definitely committed to take the initiative and do its proper part" in "the task of attaining high peace-time employment," Mr. Ruml pointed out that "it would be folly to expect that business can make the transition from full war-time employment without co-operation from public government at every level—Federal, State and local." At the same time he declared that "it is inescapable that the National State, through an explicit and implemented fiscal and monetary policy must complement and supplement the activities of private business in the maintenance of high production and high employment." "Business," he said, "wants a fiscal program that will help it create good products, good jobs and good investments."

Beardsley Ruml

"As a step toward agreement on long term policy" Mr. Ruml suggested for discussion a 9-point post-war Federal fiscal program, which includes, "a national expenditure budget that fairly represents the national purposes we want to accomplish; the lowering of "our tax rates to the point where they will balance the budget at some agreed level of high employment"; that we hold "to the principle of progressive income taxes and estate taxes as the best way of reversing the tendency of purchasing power to come to rest," and "reduce the rates on the individual income tax to stimulate consumption and to make possible investment in new enterprise on a business basis; the planning of public works to stabilize the construction industry", etc.

Mr. Ruml stated that "in spite of the criticism, some of which was just, and some of which was not, it is a good thing that in this country we have a Congress to work with."

"I think," he said, "we must recognize that membership in Congress has become a full-time job, not a job that can be fitted in between crop seasons, or between law cases, or while a partner can handle the business alone. The time required in Washington has grown to be and will continue to be extensive, and the time at home is fully occupied with duties that arise from legislative responsibilities. And here, as elsewhere, a full-time job deserves full-time pay."

Mr. Ruml's address follows in full:

We are all aware, I am sure, of the great popular interest in post-war planning, and I suppose there are few subjects on which there is more general agreement than that we should begin now to get ahead with our post-war plans. It must be clear that planning of the sort we are talking about does not mean regimentation. In certain quarters, there is a prejudice against the word "planning" that probably springs from apprehension that planning may lead us into a regimented way of life. I feel that just the opposite is the case. Free, open, democratic planning, thinking about our national future out loud, will contribute to the success of our form of government by bringing abiding satisfactions in the American way of life. Thus, planning will render regimentation, always distasteful, unnecessary.

People want those agencies and individuals who are responsible for thinking about the post-war period to proceed energetically with their work. To be sure, they want first of all to win the war, speedily and decisively, and they want nothing to detract from that effort. Second, they want no plans that represent mere wishful thinking or special interest axe-grinding. They want some practical leads as to where we go from here when the present job is finished.

There is a deep influence that may explain in part this insistent demand on the part of people generally that something be done now about planning for the period to follow the war. We are a well-

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From Washington Ahead Of The News

By CARLISLE BARGERON

From now on we may expect more or less, a steady flow of exposures similar to the Brazilian rubber scandal by a group of Washington correspondents a couple of weeks ago and the more recent report by Senator Hugh Butler of Nebraska, on his 20,000 mile trip over 20 Latin American countries. The reason is not altogether due to the fact that Congress has become more assertive. As much responsible is the feeling that the exposures can now be made without interfering with the war effort, if not altogether a feeling that the end of the war in Europe is in sight.

Butler would not have had to leave Washington to disclose some of the junketing in the guise of good-neighborliness. We in Washington spend many of our light moments with tales of the Inter-American Defense Board. It is supposed, or so one might think from its name, to coordinate North and Latin-America strategy. This coordination means mostly the entertainment of Latin American dignitaries and "such" entertainment do most of these gentlemen seem to want. The Board is noted for its collection of unusually attractive girls, while the officers attached to it have to have cast iron stomachs. When the history of the war is written these people should certainly be given honorary mention for what they have had to go through. Not the least of what these people have had to go through was the determination of the Argentines never to do anything except the entertainment side of collaboration.

Henry Wallace, who strangely enough passed up the Brazilian rubber expose—and the responsibility for our boondoggling down there was largely his—was quite sensitive about Butler's report. He called in reporters from the three press associations and apologized

(Continued on page 2236)

An Economist With Commonsense

"Demand for consumer goods has been deferred, and we have been accumulating alleged 'savings,' or purchasing power, but these are not firm guarantees of post-war prosperity. In the middle 1930s we had accumulated savings and were confronted with much deferred maintenance. We were underhoused, and yet prosperity did not follow.

"Basically, business is nothing but barter and, in order that high levels of barter be carried on, there must be effective adjustment of prices, wages and other costs so that exchange can take place. . . .

"Our problem in the post-war period is likely to be one of securing adequate flexibility. Surplus commodities and surplus plant capacity, unless effective policies are adopted by Congress during the war, are apt to interfere with favorable expectations of this future. Business and consumers will hoard their funds instead of circulating them actively.

"Business groups are devoting much time and energy to defining, isolating and analysing some of these basic issues which will require prompt action by Congress, business and other groups. In addition, a fundamental reexamination of what makes a private system click is going on. The Chamber of Commerce of the United States, the National Association of Manufacturers, the Committee for Economic Development and others are harmonious in their view that these distortions and maladjustments, carried over from pre-war and accentuated by the war, call for numerous readjustments if we are to move to high levels of employment, production and exchange." — Emerson P. Schmidt, Economist for the Chamber of Commerce of the United States.

Here plainly is an "economist" with common sense! Would there were more of them!

The State Of Trade

The heavy industries generally continue to report operations at or near peak levels. However, reduction of orders for steel because of the closing of large munition plants and the telescoping of contracts has resulted in some open hearths being closed, according to the publication "Iron Age." As an offset, however, the production of electricity has reached another new high. Carloadings continue to show substantial gains. Retail trade continues to show exceptional activity, of course being lifted by heavy Christmas buying, sales rise of department stores being 21%.

Production of electricity reached an all-time high of 4,513,299,000 kilowatt hours in the week ended Nov. 20, according to the Edison Electric Institute. This compares with 4,482,665,000 kilowatt hours a week earlier and is 18.9% above the year ago total of 3,795,361,000. Consolidated Edison Company of New York reports system output of 218,900,000 kilowatt hours in the week ended Nov. 21, against 154,900,000 a year earlier, an increase of 41.3%. Local distribution was 214,800,000 kilowatt hours, against 151,200,000.

Carloadings of revenue freight for the week ended Nov. 20 totaled 882,287 cars, according to the Association of American Railroads. This was an increase of 34,604 cars over the preceding week this year, 45,525 cars more than the corresponding week in 1942 and 82,901 cars above the same period two years ago. This total was 132.95% of average loadings for the corresponding week of the ten preceding years.

Steel production in the United States is scheduled at 99.5% of rated capacity, indicating production of 1,734,200 net tons of ingots and castings, compared with a rate of 99.1 and output of 1,727,300 tons last week, according to the American Iron & Steel Institute. A month ago steel making was at full capacity, with weekly output of 1,743,000 net tons. For the week beginning Nov. 30, 1942, production was 1,681,000 tons.

For the first time since the war began steel production is showing lower tendencies due to slackening demand. All previous letdowns in the last two years reflected shortage of steelmaking materials or labor tie-ups. In all of those periods the call for steel was urgent. This time, according to informed trade sources, cutbacks and cancellations of military contracts are having a definitely depressing effect on steel output.

So far, the Youngstown, Ohio, district is most affected. It is the country's third largest steel-producing area. Youngstown schedules for the coming week are not expected to be much above 90% of rated capacity. This, the producers report, results from the lull in war orders and from shifts in specifications. "Some Washington authorities expect that the steel industry will continue to operate over 90% in the first quarter of 1944."

In the retail trade Christmas buying is reported as exceptionally active with retail sales for this week estimated at 12 to 14% above the same week last year, according to Dun & Bradstreet. Regional percentage increases in retail trade were New England, 3 to 5; East, 5 to 7; Middle West, 12 to 14; Northwest, 5 to 8; South, 17 to 20; Southwest, 23 to 25; Pacific Coast, 21 to 24.

Dollar sales of retail stores will total $62,900,000,000 this year, the highest on record, despite shortages of many civilian goods, according to estimates by business analysts of the Department of Commerce. Price rises are responsible for a substantial part of this increase, it is pointed out, but even after allowing for this, 1943 sales in "constant dollars" will be slightly above last year's level and only 7% under the 1941 peak. The expectation is that Christmas trade this year will exceed last year's record levels, the study says. Dollar sales of retail stores are expected by the department to be at least as great in 1944 as this year. The unit volume of retail business will, however, depend upon a number of factors.

Department store sales on a country-wide basis were 21% larger in the week ended Nov. 20 than in the like 1942 week, according to the Federal Reserve Board. In the four weeks ended Nov. 20 sales were 14% higher than in the corresponding period last year.

Department store sales in New York City in the week ended Nov. 27 were 13% larger than in the corresponding week of last year, according to a preliminary estimate issued by the Federal Reserve Bank of New York. In the previous week ended Nov. 20 sales of this group of stores were 19% higher than in the like week last year.

House Group Favors Bill Preserving State Regulation Of Insurance Business

Enactment of the Bailey-Van Nuys bill, which would reaffirm the intent of Congress that the business of insurance companies is not subject to Federal anti-trust laws and that regulation should remain within the control of the several States, is favored by the House Judiciary Committee.

The House group voted 16 to 5 on Nov. 16 to recommend passage of the legislation.

The following regarding the House group's majority and minority reports on the bill was reported Nov. 19, to the New York "Journal of Commerce" from its Washington bureau:

After reviewing a number of Supreme Court decisions tending to show that insurance has not been considered interstate commerce, the majority report asserted that "this bill could not have the effect of exempting insurance companies from anti-trust laws since anti-trust laws have never been applicable to the business of insurance, and if insurance is to be made subject to those laws, it should be done by an act of the Congress, which is the law-making and policy-fixing body of the Government."

The following general summary concluded the majority report:

Summary

It appears to the Committee that the situation presented to Congress may be summarized as follows:

(a) Under existing law the business of insurance is not commerce;

(b) For over 75 years the existing law has been recognized and accepted by the Supreme Court, Congress, executive branches of the Federal Government, the States and the public;

(c) Grounded upon existing law, the States have successfully regulated insurance and the business of insurance has been conformed thereto;

(d) If long-standing decisions be reversed, then the constitutional right of the States to regulate will be nullified and a continuation of State regulation could only be at the sufferance of Congress and could not exist in so far as it conflicts with Federal law;

(e) The general pattern of State regulation is in direct conflict with the prohibitions of the Sherman and Clayton acts as now interpreted by the Department of Justice, for the former encourages or requires cooperation and accord and the latter in effect forbids it;

(f) The application of the anti-trust acts to insurance was not intended by Congress and would not be in the public interest;

(g) Such application must now be predicated upon a change in the law by the Supreme Court;

(h) The insurance business is essentially local and best supervised locally by the States rather than through another cumbersome Federal bureau; and

(i) It is believed that enactment of the bill will preserve State regulation, and is necessary to make certain that it will be preserved.

The minority report charged that introduction of the bill was an attempt to circumvent an appeal by the Department of Justice of a decision by the Federal District Court for Northern Georgia. The Georgia court held that the Southeastern Underwriters' Association was not in violation of the Sherman and Clayton acts. The appeal is now pending before the United States Supreme Court.

"When States attempt to regulate them, the insurance companies maintain that they are in interstate commerce and therefore not subject to State laws," the minority report said. Similarly, when the Federal Government seeks to prosecute them for alleged anti-trust violations, the insurance companies claim they are engaged only in intrastate commerce, the report added.

Following is the conclusion of the minority report:

To say insurance is not "commerce" is an insult to one's intelligence.

To say it is not "interstate commerce" is to ignore its obviously inherent characteristics.

To vote approval of any of these insurance bills would be to destroy the very foundations of our anti-trust laws. In the post-war era I know of nothing more essential for the maintenance and strengthening of private initiative and enterprise than the anti-trust laws. Destroy them and you build for yourselves Frankenstein monopolies and cartels—the very antithesis of private initiative, enterprise, and competition.

Opposition of the Justice Department to the pending legislation was reported in our issue of Nov. 4, page 1814.

Saving Of $13 Billion By Army Reported Navy To Need More

The War Department has decided to place in the Bureau of the Budget reserve a total of $13,163,159,000 of the funds made available by Congress for the current fiscal year in view of economies which have been instituted as a result of the changes in the war situation. This disclosure was made to the House on Nov. 18 by Representative Snyder (Dem., Pa.) Chairman of the Appropriations Committee's military subcommittee.

Mr. Snyder explained that the War Department had made a restudy of its fiscal needs and had found it "practicable" to release these funds from its control, adding that "unless some unforeseeable situation should arise, all of the 13 billions-plus will revert to the Treasury on next July 1,." He further said the War Department gave its assurance that "in the light of conditions presently obtaining, this vast amount can be given up without in the least imparing the war effort of ourselves or of our Allies; without in the least impeding the expeditious and vigorous prosecution of the war."

The contributing factors, Representative Snyder said, are:

First, reduction in military personnel strength. We appropriated for a force of, roundly, 8,200,000 officers and men. By reason of subsequent war developments, a reduction of 548,000 has been determined upon by the War Department high command. That means a savings in pay, travel, subsistence, clothing and so forth of $1,946,039,000.

Second, curtailment of the armament and equipment programs, $8,262,759,000.

Third, reduction in facilities, incluring maintenance, $780,447,000.

Fourth, modification and possible permanent deferment of the airplane program, $2,086,069,000.

Fifth, miscellaneous projects, $88,205,000.

Mr. Snyder also stated that Gen. Marshall, Chief of Staff, in his biennial report covering the period July 1, 1941 to June 30, 1943, had paved the way for some "very substantial economies". He cited some passages from the General's report, covering the maintenance of large air and ground installations in the Caribbean area, reopening of the Mediterranean to convoys and "reaching the end of the expansion".

Harold D. Smith, Director of the Budget, issued on Nov. 27 a "clarifying statement," saying the remarks about the $13,000,000,000 of War Department reserves had been "very misleading," explaining that, although the Army's program has been curtailed the Navy's had been expanded and the Department will require additional appropriations because of increases in personnel and expansion of the landing craft program.

Concerning the War Department funds, Mr. Smith explained, according to the Associated Press, that $6,000,000,000 of the $13,000,000,000 was reflected in the President's August budget revision which cut estimated Army spending this fiscal year from the $62,000,000,000 January budget estimate to $56,000,000,000.

Another $4,500,000,000 of the War Department reserves, Mr. Smith added, "has been set up against 1944 appropriations which were intended for expenditure in the fiscal year 1945 or thereafter.

"The final $2,500,000,000 in reserves," Mr. Smith continued, "was due to an increase in the estimated amount of unobligated appropriations carried over from the fiscal year 1943. . . .

"Thus, these reserves reflect savings which have already been taken into account in the August revision of estimated expenditures for the fiscal year 1944, or they reflect a reduction in expenditures of previous or future fiscal years. It would be erroneous to deduct these reserves from present expenditure estimates for the current fiscal year."

In his statement, Mr. Smith also noted that estimates of this year's war spending had been reduced $800,000,000 below the estimate of last January, or from $100,000,000,000 to $92,000,000,000.

As a result, and due to collection of $3,000,000,000 more revenue than anticipated, Mr. Smith said the prospective deficit for the 12-month period ending next June 30 had declined from $68,000,000,000 to about $57,000,000,000, thus placing the public debt at $194,000,000,000, instead of passing the $200,000,000,000 mark.

Payment On Argentine Bonds

Baring Brothers & Co., Limited, as paying agents for Argentine Republic 4½% conversion loan of 1934 (called for redemption on Jan. 1, 1944) and 4% loans of 1897, 1898, 1899, and 1900 (called for redemption on April 1, 1944), have arranged to make payment in London of the redemption price of bonds held in this country against delivery of such bonds to J. P. Morgan & Co. Inc. or National City Bank of New York. Under new British regulations on foreign exchange, proceeds of bonds held by United States residents may be credited in London to United States registered accounts, rather than to blocked accounts, and thus bondholders may transfer the dollar proceeds to this country. Further details are set forth in the letter of transmittal which must accompany bonds presented and which may be obtained from J. P. Morgan & Co. Inc., 23 Wall Street, or the Corporate Trust Department of National City Bank, 20 Exchange Place.

Provide Pay Now For Mustering Out Of Armed Forces, President Urges Congress

President Roosevelt sent a special message to Congress on Nov. 23 urging that steps be taken now to help returning service men and women "bridge the gap from war to peace activity."

Emphasizing that plans and legislation must be ready for the demobilization of soldiers and sailors, the President called on Congress to give immediate attention to a three-point program, involving "reasonable" mustering-out pay, a uniform system of allowances for unemployed service men and women and extension of the Federal old-age and survivors' insurance law to give members of the armed forces credit for their period of military service. In addition, he urged an unemployment protection system for the merchant marine.

Mr. Roosevelt proposed that these steps be taken as part of a program of minimum assistance. He had previously suggested a legislative program to provide educational and training opportunities for those members of the armed forces who wish to pursue their studies after their discharge.

The text of the President's message as presented to Congress on Nov. 23 follows:

To the Congress of the United States:

All of us are concentrating now on the one primary objective of winning this war. But even as we devote onr energy and resources to that purpose, we cannot neglect to plan for things to come after victory is won.

The problem of reconverting wartime America to a peacetime basis is one for which we are now laying plans to be submitted to the Congress for action. As I said last July:

The returning soldier and sailor and marine are a part of the problem of demobilizing the rest of the millions of Americans who have been working and living in a war economy since 1941. * * * But the members of the armed forces have been compelled to make greater economic sacrifice and every other kind of sacrifice than the rest of us, and are entitled to definite action to help take care of their special problems.

At that time I outlined what seemed to me to be a minimum of action to which the members of our armed forces are entitled over and above that taken for other citizens.

What our service men and women want, more than anything else, is the assurance of satisfactory employment upon their return to civil life. The first task after the war is to provide employment for them and for our demobilized war workers.

There were skeptics who said that our wartime production goals would never be attained. There will also be skeptics who will question our ability to make the necessary plans to meet the problems of unemployment and want after the war. But, I am confident that if industry and labor and Government tackle the problem of economic readjustment after the war with the same unity of purpose and with the same ingenuity, resourcefulness and boldness that they have employed to such advantage in wartime production, they can solve them.

We must not lower out sights to pre-war levels. The goal after the war should be the maximum utilization of our human and material resources. This is the way to rout the forces of insecurity and unemployment at home, as completely as we shall have defeated the forces of tyranny and oppression on the fields of battle.

There are, however, certain measures which merit the immediate attention of the Congress to round out the program already commenced for the special protection of the members of the armed forces.

The Congress has already enacted a generous program of benefits for servicement and for the widows and dependents of those killed in action.

For example:

1. Under the National Service Life Insurance Act, life insurance at low premium rates is now available to members of the armed forces in amounts not less than $1,000 and not more than $10,000 per person. A total of nearly $90,000,000,000 of insurance has already been applied for.

2. In addition, provision has been made, under the Soldiers' and Sailors' Relief Act, for the guaranty by the Government of the payment of premiums on commercial policies held by members of the armed forces while in service. Premiums on insurance totaling $135,582,000 have been guaranteed, as a result of 56,276 applications by servicemen for such relief.

3. The Congress has also enacted legislation making provision for the hospitalization and medical care of all veterans of the present war, and for the vocational rehabilitation and training of those suffering from disability incurred in, or aggravated by, military service, when such disability results in a vocational handicap preventing reemployment. Similar provision has been made for the rehabilitation of disabled persons in civil life, who, with proper training, can be equipped to play a useful part in the war effort at home. Men who are rejected for military service because of physical or mental defects, or who are discharged from the armed forces because of a disability existing at the time of induction, are thus eligible for such rehabilitation services and training as may be necessary and feasible in order to fit them for useful and gainful employment.

4. By recent legislation, our present service men and women have been assured the same pension benefits for death or disability incurred in the line of duty while in active military service as are provided for the veterans of prior wars. The pension rates for the family of those killed in this war were recently increased by the Congress.

The Veterans' Administration will, from time to time, request the consideration by the Congress of various amendments of existing laws which will facilitate administration, and which will correct any defects in our present statutory scheme which experience may disclose. I am confident that the Congress, in line with the historic policy of this Government toward its ill, injured, and disabled service men and women, will provide generous appropriations to the Veterans' Administration with which to carry out these laws.

5. Numerous other measures have been adopted for the protection of our servicemen such as the Soldiers' and Sailors' Civil Relief Act suspending the enforcement of certain obligations against members of the armed forces, the creation of reemployment rights under the Selective Service Act, and the provision for emergency maternity care to the wives and infants of enlisted men.

However, I believe that we must go much further.

We must make provision now to help our returning service men and women bridge the gap from war to peace activity. When the war is over, our men and women in the armed forces will be eager to rejoin their families, get a job, or continue their education, and to pick up the threads of their former lives. They will return at a time when industry will be in the throes of reconversion. Our plans for demobilization of soldiers and sailors must be consistent with our plans for the reconversion of industry and for the creation of employment opportunities for both servicemen and war workers. Already the armed forces have returned many thousands of service men and women to civil life.

The following further steps seem desirable now:

1. To help service men and women tide over the difficult period of readjustment from military to civilian life, mustering-out pay will be needed. It will relieve them of anxiety while they seek private employment or make their personal plans for the future. I therefore recommend to the Congress that it enact legislation and provide funds for the payment of a uniform, reasonable mustering-out pay to all members of the armed forces upon their honorable discharge or transfer to inactive duty. This pay should not be in a lump sum but on a monthly installment basis.

2. We must anticipate, however, that some members of the armed forces may not be able to obtain employment within a reasonable time after their return to civil life. For them, unemployment allowances should be provided until they can reasonably be absorbed by private industry.

Members of the armed services are not now adequately covered by existing unemployment insurance laws of the States. It is estimated that approximately one-half of them will have no unemployment insurance protection at all when they leave military service. Benefits payable to those who are covered by State law are unequal, and will vary greatly among the States because of the wide differences in the provisions of the State laws. The protection in many cases will be inadequate. It is plainly a Federal responsibility to provide for a payment of adequate and equitable allowances to those service men and women who are unable to find employment after their demobilization.

For these reasons, I recommend to the Congress that a uniform system of allowances for unemployed service men and women be established.

I believe that there should be a fixed and uniform rate of benefit for a fixed period of time for all members of the armed forces who, after leaving the service, are unable to find suitable work. In order to qualify for an unemployment allowance each person should be obliged to register with the United States Employment Service, and, following the usual practice in unemployment insurance, must be willing to accept available and suitable employment, or to engage in a training course to prepare him for such employment. The protection under this system should be continued for an adequate length of time following the period for which mustering-out payment is made.

At present persons serving in the merchnat marine are not insured under State unemployment insurance laws, primarily because the very nature of their employment carries them beyond the confines of any particular State. I believe that the most effective way of protecting maritime workers against post-war unemployment is to enact without delay a Federal maritime unemployment insurance act. There has been in effect since 1938 a Railroad Unemployment Insurance Act and a similar act for maritime workers is long overdue. Marine workers are, however, insured under the existing Federal old-age and survivors' insurance law.

3. Members of the armed forces are not receiving credit under the Federal old-age and survivors' insurance law for their period of military service. Credit under the law can be obtained only while a person is engaged in certain specific types of employment. Service in the armed forces is not included in these types. Since the size of the insurance benefits depends upon the total number of years in which credits are obtained, the exclusion of military service will operate to decrease the old-age retirement benefits which will eventually be payable to service men and women. Furthermore, a large number of persons whose dependents were protected by the survivors' insurance benefits at the time they entered the armed forces, are losing entirely those insurance rights while they are in service.

I therefore recommend that the Congress enact legislation to make it possible for members of the armed forces to obtain credit under the Federal old-age and survivors' insurance law during the period of military service. The burden of this extension ol old-age and survivors' insurance to members of the armed forces should be carried by the Federal Government, and the Federal contributions should be uniform for all members of the armed forces irrespective of their rank.

I have already communicated with the Congress requesting the enactment of legislation to provide educational and training opportunities for the members of the armed forces who desire to pursue their studies after their discharge.

The Congress will agree, I am sure, that this time we must have plans and legislation ready for our returning veterans instead of waiting until the last moment. It will give notice to our armed forces that the people back home do not propose to let them down.

FRANKLIN D. ROOSEVELT.
The White House, Nov. 23, 1943.

Reconversion Problem Is Over-Estimated According To Economist A. W. Zelomek

The reconversion will be managed by American industry as successfully as the conversion was and without the disastrous consequences of either extreme deflationary or extreme inflationary tendencies. In a speech on Nov. 29 before the Bridgeport Chamber of Commerce, A. W. Zelomek, President of the International Statistical Bureau and economist with Fairchild Publications, told the members that he was persuaded that the economic, political and industrial difficulties that will certainly prevail will not offset the powerful urge and ability of American business to achieve a swift reconversion without extreme or prolonged unemployment or inflation.

Economic difficulties that some observers forsee for the reconversion period Mr. Zelomek found to be contradictory and ill founded. As examples of such contradictions, he cited fears of manpower shortages and unemployment, of inflationary competitive spending in the face of decreasing pay envelopes and near-depression.

Recognizing the absence of clear-cut Government planning for termination and reconversion, Mr. Zelomek nevertheless maintained that business would be able to overcome the difficulties connected with vague and conflicting Government policies. Businessmen who do not get immediate 100% settlements on their terminated contracts will not hesitate to use reserves and borrowed funds to finance reconversion and expansion of plant.

Some industries will not require any reconversion, but will merely go back to producing for civilians the same kinds of goods formerly produced mainly for the Government. These industries, notably the textile and apparel industries, may have to take some losses on inventories, but their anticipation of several years of good business during which such losses can be recouped will sustain their ability to operate at high levels despite such losses.

The automobile industry, Mr. Zelomek predicted, will have retooled and built up an operating inventory of parts within three months after plant space becomes available and will be producing at the rate reached in 1941 within six months. Too much emphasis should not be placed on the fact that the entire industry will probably not have contracts terminated at once. It will not be too difficult, if necessary, for the industry to establish new lines of production.

Further, the process of tooling up for production will not take so long as many have predicted. Many automotive firms have their 1942 model tools in grease. Those who do not will be able to call upon the vastly expanded capacity of the machine tool industry for the new tools they will need.

The success of the initial conversion period was cited as evidence that American industry can effect a successful transition from one kind of production to another. "During the first part of 1942," Mr. Zelomek said, "American industry built new plants and retooled and trained new workers and still produced aircraft at a rate increasing by 10% to 20% a month. With some old tools, millions of trained workers, and much more industrial know-how, it is hardly extravagant to predict that they will reverse that stupendous accomplishment."

Replying to fears that abrupt termination of war orders will create such a slump in economic activity, Mr. Zelomek predicted that the continuation of the shipbuilding and aircraft programs and the gradual decline in production of ordnance of all kinds during the interval between the ending of the European phase and the ending of the Far Eastern phase of the war will "keep the bottom from falling out of the production index, and out of work and business morale, before the achievement of high production of consumers' goods inspires the economy with a substitute stimulus." Considerable advances in reconversion, he predicted, will be made before the defeat of Japan.

Businessmen's belief in the economic potentialities of the past reconversion period, Mr. Zelomek said, will facilitate the reconversion by making them more willing to take risks at that time. Similarly, a successful reconversion will enhance the economic opportunities of the succeeding years.

Coal Prices Raised

The Office of Price Administration on Nov. 29 formally increased soft coal ceiling prices an average of 17 cents a ton at the mines in order to compensate producers for higher labor costs. This advance, which is temporary, had been authorized on Nov. 27 by Fred M. Vinson, Director of Economic Stabilization.

On Nov. 15, Harold L. Ickes, Solid Fuels Administrator, had recommended increases in the prices of bituminous coal which, on a weighted national average, were approximately 16 cents a ton higher than those proposed by the OPA. Since the original recommendations, Mr. Ickes has reduced the price increases recommended, following a ruling by the National War Labor Board on Nov. 20 lowering the basic weekly wage some 32 cents below that reflected in his original recommendation.

On Nov. 24, the OPA permitted a price increase of 70 cents a ton for the most widely used domestic sizes of anthracite and 35 cents a ton for other sizes.

The Financial Situation

(Continued from first page)

have taught. When the public is told that this, or some other nation or people, is determined not to repeat the "mistakes" of some other period (usually now the years immediately following World War I), it would do well to inquire whether there is any general agreement as to what the "mistakes" of that other period really were—and if there is such an agreement whether it appears to be solidly based in hard, common sense or is merely the judgment of articulate publicists or politicians whose ability lies more in influencing other people than in discerning the truth themselves.

It will be recalled by those with reasonably good memories that the very groups who are now most vocal in preaching new post-war economics are the very ones who not long ago were announcing to the world economic discoveries to which their more recent doctrines give the lie. The war has apparently converted many of the "scarcity economy" school to an economy of abundance, the precise nature of which often upon close examination appears almost as fantastic as the earlier nonsense which led to the killing of little pigs and the destruction of crops in the fields. In other quarters worship of the extreme of competition appears to have replaced the doctrine that the evils of competition, even of the ordinary garden variety, were in considerable part responsible for the conditions existing in the early '30s—a doctrine which gave birth to the ill-fated NRA.

False Doctrines

But out of all this there have arisen a number of specific doctrines which now constitute a genuine threat to the post-war economy and which must be exposed as the nonsense which they are. One of these (often encountered in undisguised form but also running implicit through arguments which are likely to prove more damaging) is that Russia has shown the way to almost incredible production, a way which would serve the purposes of peace as well as those of war. We, in addition to supplying our own armed forces and many of those of several other nations, have shipped enormous supplies to Russia, but it is also true that Russia has made a remarkable production record, particularly during the past year or two. But what does it prove so far as peace time is concerned? Certainly not very much. Obviously no more than our own fully as impressive record of the past year or two. Either or both show what a people working closely together in an economy planned toward a limited, specific end can do when under the pressure of a great crisis. Neither show much else or much more.

It certainly remains to be seen whether the Russians can match, or even come near matching, such a record in the production of shoes, clothes and other articles of ordinary consumption in peace time. And, of course, the whole system under which the Russians operate presupposes that Mr. Stalin (or some other figure) will decide the relative proportions of the different classes of goods the people may have, i.e., pairs of shoes, houses, automobiles, clothes, and the rest. So far the scarcity of all such goods has always been such as to preclude the problem of surpluses of individual goods arising from miscalculations of the amounts the people want. Such problem would, of course, abound in an economy of relative abundance such as that to which we are accustomed—and it is scarcely likely that the American people will tolerate in peace time the regimentation essential to any such production and distribution process as is normal in "total war."

War As Peace Economy

Enough has now been said to dispose of that other related "lesson" that war experience has taught some of our post-war propagandists—that full employment and abundant production far beyond the dreams of Utopia is easily possible in a fully "planned economy." If we are to assume that people will act like galley slaves, and do uncomplainingly and to the limit of their ability precisely what they are told to do, it may be conceded that "full employment" is possible—in return for whatever sort of money is used to meet the payroll. Should the economic managers be able to summon the necessary wisdom, it is not improbable—again assuming the willingness of workmen really to work as directed—that large production might be achieved. Such production might not be—indeed, almost certainly would not be—of the things that the rank and file want. The war has shown us —if any showing was necessary—that full employment along with scarcity of many items desired by the public is quite possible. It would be as possible in peace as in war. It could result from serious errors in the management of production, inefficiency in getting things done, in over-production of things not in demand commensurate with production, or in a number of other ways.

In the war economy the problem of marketing hardly exists. Concerning the vast bulk of war goods—including, of course, many civilian items which must be supplied to the individuals in the armed services, there is no question of markets. Such supplies of almost all types of ordinary goods as are left for the ordinary civilian are so small in comparison with demand that there is very little likelihood of serious surpluses anywhere —or if there are the hoarders, public or private, would deal with them without delay. In very large segments of the economy costs are a secondary consideration, to say the least. Obviously such a state of affairs cannot exist in ordinary peace economy and, if it did, would certainly in the long run wreck it. The war economy has taught us very much less about peace-time economy than many of us imagine.

Rumi Offers 9-Point Program For Post-War Fiscal Policy Which Will Help Create Good Products

(Continued from first page)

educated people, and we know that even recognizing wonderful material advances, the scientific and technical progress of the last hundred and fifty years has never truly ripened in terms of human betterment. We know that in our country, to go no farther afield, we had a decade of mass unemployment of men and machines, and before that we were worried about what we called "technological unemployment." We know that during the 30's alone in the United States, we lost forever a product of goods and services which would have amounted to more than two hundred billion dollars. Not only for these material things, but for other values lost as well, we want in the future that this product be created, conserved, and applied to the increased welfare of us all. We, in America, expect this fruition of our energy, our skill, and our resources, and it is therefore natural that we should be sympathetic with, and that we should encourage leadership wherever it arises that points the way toward the realization of these expectations.

Today most business men agree that the elimination of mass unemployment is the first requirement for the post-war period. Many will go so far as to agree that unless mass unemployment can be eliminated under a system of private business enterprise, private business enterprise will be supplanted by some other arrangements for the production and distribution of goods and services. The demonstration of what we are able to produce under the rules of a war-time economy is unanswerable evidence of what machines and men and organization can accomplish if their technical capacities are given full rein. And we know that at the present time, with the newness of the war-time conditions under which we are working, the organizational and administrative arrangements are of much less effectiveness than they will become with longer experience. And so, for these good reasons, much thought is being given to the ways and means whereby private enterprise may do its full part in achieving high production and high employment in the post-war period. I hasten to say that as far as I know, these business men would in every case subordinate this thinking about post-war employment to efforts directed toward the winning of the war, and each, in his capacity as a business manager, has made sure that his responsibilities for present war-time production are being efficiently discharged.

Although the task of attaining high peace-time employment is difficult, the rewards of success are so great from every material and human point of view that it is an effort which can be undertaken with real zest and enthusiasm. Little differences of opinion and petty special interests become insignificant and can be brushed aside in view of the prospect that lies ahead. Business is definitely committed to take the initiative and to do its proper part.

But it would be folly to expect that business can make the transition from full war-time employment to high peace-time employment without cooperation from public government at every level —Federal, state, and local.

These measures of cooperation between government and business are good, but in my opinion they are not enough. In addition, we require for success in the attack by business and government on the danger of mass unemployment a commitment on the part of government that, through an explicit fiscal and monetary policy, it will act when business, as business, cannot act to sustain employment and effective demand.

To put it in another way, it is inescapable that the national state, through an explicit and implemented fiscal and monetary policy, must complement and supplement the activities of private business in the maintenance of high production and high employment.

Business wants a fiscal program that will help it create good products, good jobs and good investments. Business does not expect a national fiscal policy to do the work of business for it. It does ask for cooperation in maintaining a flow of purchasing demand that will have some general correspondence to what agriculture, labor, and business are able to produce and distribute.

Business knows that fiscal policy alone cannot produce a healthy condition of high employment and high production. In addition to a sound fiscal policy, there must be government stability, protection against illegal aggression, confidence in the outlook for profitable relationships between volume, costs and prices, access to markets and to the means of production. But the fiscal policy here suggested will aid strongly in getting the high production and high employment we all want; and it will also check tendencies toward restrictive practices that spring from fear of insufficient effective consumer demand.

A doctor friend of mine, some years ago, told me that if a patient was suffering from both tuberculosis and diabetes, the proper procedure is to treat the diabetes first. "First correct the disorder of metabolism, so that the body may be properly nourished and may help rather than hinder attack on the second disease."

This rule of medicine can be extended to a wider field. The body politic has long been suffering from undernourishment, caused in large measure by disorders of fiscal program. This undernourishment has brought with it restrictive practices that lead inevitably to government-controlled monopoly, class prejudice and international tension. The first step is to control the undernourishment, and to make sure that the life blood of purchasing demand is adequately maintained. Only then can we truly appraise the nature of the other evils that afflict us; only then can we decide with confidence on the other measures that ought to be applied.

As a step toward agreement on long-term policy, I have suggested for discussion a nine-point post-war Federal fiscal program.

First, let us have a national expenditure budget that fairly represents the national purposes we want to accomplish. Let us base our estimates on the efficient carrying out of these worthwhile activities. We want no spending for its own sake and no projects merely because they support purchasing power in general.

Second, let us lower our tax rates to the point where they will balance the budget at some agreed level of high employment, say, for example, 55,000,000 persons working 40 hours a week. We do not want a deflationary tax program at times of less than standard high employment. Taxes should be reduced where they will do the most good in creating demand and in encouraging private enterprise.

Third, having set our tax rates to balance the budget at high employment, let us leave them alone, except as there are major changes in national policy. When employment goes beyond an agreed level, or if we have a boom in prices, let us hold the surplus or use it to reduce the national debt, not as an excuse for further tax reduction.

Fourth, let us hold on to the principle of progressive income taxes and estate taxes as the best way of reversing the tendency of purchasing power to come to rest. Let us reduce the rates on the individual income tax to stimulate consumption and to make possible investment in new enterprise on a business basis.

Fifth, let us plan our public works, not to balance the whole economy, but to stabilize the construction industry. Our objective should be to provide in this basic industry continuous activity on an agreed level throughout the year and over the years. This would require advance planning of public works—Federal, state, and local—scheduling, and the holding back of a large reserve of optional projects.

Sixth, let us neutralize the social security programs as far as their fiscal influences are concerned. Since their beginning they have been highly deflationary. For old age security, let us set our rates and benefits so that they come somewhere near balancing; and for unemployment insurance, let us set our rates so that intake and outgo balance at high levels of employment as hitherto defined.

Seventh, let us keep the important excise taxes for the time being, and get rid of the rest. If employment and production lag overmuch, let us get rid of these too, except when they have some social purpose, since they are deflationary. We need no general sales tax for fiscal policy purposes, now that the individual income tax is on a current basis.

Eighth, let us arrange our lending abroad, whether for stabilization, relief, or long-time reconstruction, so that it will support rather than contradict fiscal policies adopted to strengthen our domestic economy.

Ninth, and indispensably, let us press for a reorganization of the parts of the Federal government that have to do with fiscal policy and administration. We want clarity in policy, unity in administration, and cooperation between the executive and legislative branches. Having got this far, we then want the maximum necessary degree of coordination between Federal, state, and local governments, as their tax and expenditure policies affect national fiscal policy itself. We shall expect that unity of fiscal and monetary policy will be attained easily along the way.

This nine-point program raises some questions, but if the program makes sense, there are no constitutional or technical reasons why it could not be adopted to be ready once peace is declared and we are able to begin to resume our peace-time way of life. During the transition period, the nine-point program itself cannot be expected to eliminate the need for some public expenditure for relief and rehabilitation. But it will provide a flow of purchasing demand, which springs authentically from the tens of millions whose tax burdens will have been reduced. It will express in a mosaic aggregate the American way of life as pictured in consumer preferences. Against this background, the readjustments of employment and the reconversion of business and industry can readily occur. I have remarked elsewhere "Why not leave at home, for expenditure by the individual, money that would have to be pumped out again to sustain employment?" The nine-point program is a way of carrying out the policy implied in this simple question.

Much has been said and written about public works as a means of providing employment and of evening out the business cycle. Lately, we have become familiar with the phrase "a shelf of projects" to be ready if business should become depressed.

We must not expect too much from a public works program as a general support for high employment. If we believe in the policy of no wasteful public expenditure and no spending for its own sake, the administrative difficulties make proper timing almost impossible, and reduce the potential volume well below the requirements of a true depression. Public works alone cannot do the job.

The most we can expect, and this is no small gain, is that public works can be planned and undertaken in such a way as to even out the activities of the construction industry itself, thereby providing a reasonable level of construction throughout the year and year after year. Some rough approximation could be made of what aggregate employment in construction would be suitable over a period of years, and to maintain the desired volume of construction, public works might be undertaken when private construction fell off.

What level of employment in the construction industry should we take as a long-time normal? The suggestion has been made that we might take as a rough standard the average rebuilding of our physical plant, once a generation. This suggestion has the appeal of picturing each generation turning over to the next generation new, modern structures instead of old, outmoded houses, schools and factories. It has been estimated that such a program would require about eight per cent of the national product and would keep 6,500,000 men employed on and off site; but this figure should only be taken as a preliminary approximation.

But, as I have said, it seems to me unreasonable, indeed I feel that it is reckless optimism, to expect that public works expenditures can be counted on as a balancing factor for the econmy as a whole. However, if we could only achieve reasonable balance in the construction industry itself, a great deal would have been accomplished.

A reasonably continuous level of activity in the construction industry within the year and over the years would greatly increase the efficiency of the industry and any given level of employment would yield a larger and larger product as the years went by. The traditional recurrent idleness of men and equipment in the construction industry has forced for sheer survival the adoption of practices which all deplore.

These practices, I feel sure, can be largely eliminated once the industry comes to have confidence in continuity of activity. But as these practices now exist, they are a serious obstacle to the use of the construction industry as a publicly supported agency for employment.

The attainment of high levels of employment will still leave many individual men and women in need. A modern industrial society with its enormous productive capacity can give a certain minimum protection to the individual citizen against the occasion of unemployment, destitution in old age, accident, and disease. It can assess the burden of this minimum protection with reasonable fairness against the aggregate national produce. I do not believe that such humane provision will weaken our energies or our ambitions, nor do I feel that we require the spectacle of fortuitous human distress to teach us the wisdom of avoiding error and evil.

Not only in the area of high employment, high production, and humane protection, are there goals to aim at. In our democratic representative process, there are also objectives that are worth thinking about.

During the debates of recent months, the public has watched the operations of the legislative process with unusually close attention. Inevitably, as a result of the ups and downs and delays, Congress has come in for a lot of criticism. In spite of the criticism, some of which was just, and some of which was not, it is a good thing that in this country we have a Congress to work with.

This does not mean that Congress is perfect, or even that as a democratic legislative body it is not susceptible to the improvement that comes with the passage of time and from the lessons of experience.

Some of this improvement must come on the initiative of Congress itself. Change and modernization of rules, precedents, and procedures should be undertaken, changes that would not weaken the essential integrity of the representative process, but that would make it less clumsy and more effective, more nearly in fact as we picture it as an ideal. The initiative for these changes must come from Congress itself, because in Congress is to be found the wisdom, the intuitive sense of balance, and the authority that can bring helpful reforms into being.

The resolutions introduced in the House and Senate by Representative Monroney and Senator Maloney to create a bi-partisan joint committee to recommend ways to improve the efficiency of Congress come as a timely and encouraging step in the right direction.

But there are some things that Congress cannot do alone, that require the initiative and support of the people generally, the citizens whom Congress serves.

I think we must recognize that membership in Congress is the top legislative job in our very important country, that it is therefore a very important job, both for the country and for the world.

I think we must recognize that membership in Congress has become a full-time job, not a job that can be fitted in between crop seasons, or between law cases, or while a partner can handle the business alone. The time required in Washington has grown to be and will continue to be extensive, and the time at home is fully occupied with duties that arise from legislative responsibilities. And here, as elsewhere, a full-time job deserves full-time pay.

I think we must recognize that membership in Congress requires unusual talents of intellectual equipment, energy, courage, and the rare ability to make oneself acceptable to a constituency through the operations of our democratic process.

We should also encourage Congress to provide itself with much more adequate technical and professional services. Congress has not made the provision for its own needs that modern times require. As a result it has been too dependent on outside experts, occasional consultation, and on the permanent establishments of the administrative branch. These good sources of information and suggestion should not be brushed aside, but Congress should have its own technical services fully equipped to handle problems as the recognized servant of Congress. Such services could be built up in a number of ways. For example, the Library of Congress lends itself admirably to important extension and development. In time, it might become the cornerstone of a national university of a special type, a great institution of learning, serving the people generally and at the same time available to the members of Congress and responsive to every technical need.

We must give due attention to our representative process and the measures and attitudes that may strengthen it. Our economic and social problems are exceedingly important, but we need not for that reason neglect our legislative institutions, on which so much depends, as we move on to extend and enrich our democracy.

Plans for world economic relationships have recently received a great deal of governmental attention and public discussion. For the success of all these international plans, a high level of employment and production in the United States is everywhere conceded to be indispensable. With high prosperity, we shall require large imports of raw materials, and we may even welcome the economic advantages of lower tariffs on foods and manufactured goods. With high prosperity, we shall be less greedy for foreign outlets to take up low-cost excess capacity and we will be more willing to see our exports directed to the world's essential needs.

The critical program for high prosperity for the United States has been too little emphasized in official circles. The squabbles over contract termination are a disturbing symptom of the present incapacity of the government to think ahead. The problem of domestic recovery and long-term prosperity should no longer be so neglected nor should it be relegated to the private agencies of agriculture, labor and business. Much as these private agencies can and must do, they cannot do all, indeed they cannot even do their part, without proper governmental leadership and cooperation.

We must succeed at home if we are to succeed abroad. Our great contribution to world peace and freedom can only be made if we are able to use our unparalleled advantages in establishing here, at home, a high standard of prosperity and democracy.

Senator Butler Charges U. S. Spending $6 Billion In Latin-American Countries

Senator Butler (Rep., Neb.) told the Senate on Nov. 26 that the United States is spending about $6,000,000,000 in Latin-American countries and charged the Administration with "waste and extravagance."

In reporting on his recent tour of 20 Central and South American countries, the Senator said that this $6,000,000,000 figure covers actual expenditures, commitments, and extensions of credit on United States activities.

Vice-President Henry A. Wallace, in a formal statement, apologized to Latin-Americans "for this shocking slur," describing Senator Butler's figures as "fantastic" and said that they would be "refuted by the agencies involved."

Mr. Butler, in a radio talk on Nov. 27, reiterated his charges and suggested that Mr. Wallace apologize to "the hard-beset taxpayers of this nation who are paying for the wild and wooly activities of this global WPA."

From Associated Press Washington advices of Nov. 27 regarding Senator Butler's remarks over the radio we quote:

In a prepared speech he called Mr. Wallace "that notorious modern Don Quixote, who persists in engaging myterious enemies in battle."

"My advice to Mr. Wallace," he said, "is to get an adding machine, go through the Federal register, get the names of the various agencies dealing with Latin America, obtain from each agency the money they have wasted in South America, and add the figures.

"If he uses an old-fashioned adding machine—and not a New Deal kind—I am sure he will arrive at the same figures I presented to the Senate yesterday and give you tonight.

Senator Butler also noted that Mr. Rockefeller (Nelson Rockefeller, Coordinator of Inter-American Affairs) had challenged his figures. Mr. Rockefeller said spending and commitments to spend in Latin-America in the last three years by all government agencies, including military and naval installations, "total less than $600,000.000." This figure, Mr. Rockefeller said, "as in the case of that $6,000,000,000 figure," does not include "the sums spent for goods, services and raw materials."

Senator Butler commented:

"Perhaps he did not hear Senator Kenneth McKellar, Democrat of Tennessee, who, immediately after I gave my report took up the cudgels for the Administration and declared that we have spent only $2,207,000.000 in South America. Senator McKellar differed with Mr. Rockefeller to the tune of some $2,000,000,000—not a big discrepancy from the New Deal point of view."

Senator Butler made his report after a 60-day tour of South America. Referring to Mr. Wallace's recent visit there, the Nebraskan said, "I went as a taxpayer, not as one who had had free access to an almost limitless Federal treasury for eleven years now."

"Naturally, we saw things differently, and I am sure we saw different things," he added.

As for Mr. Wallace's assertion that Senator Butler would discredit the good-neighbor policy, the Nebraskan said he went to South America believing in it and "came back sold on it completely."

"We in this country have been committed to a policy of friendship for Latin America since the days of President James G. Blaine, who initiated the Pan-American Union," he continued.

"But we can have a more valuable tie with our neighbors on a much cheaper scale, in the opinion of every sensible economist who has looked over our dream-world program of buying friends below our border."

James G. Blaine, as it was noted by the Associated Press, was the Republican candidate for President in 1884, but was defeated by Grover Cleveland. As Secretary of State in President Harrison's administration he presided over the Pan-American Congress.

Describing United States aid to Latin American countries as "naively conceived and badly coordinated boondoggling," Senator Butler in his remarks addressed to the Senate on Nov. 26 stated that the program should be changed to one of technical assistance and cultural contact and understanding. As to the report of the Senator's tour of Central and South American countries, an Associated Press account from Washington in the New York "Journal American" of Nov. 26 said:

Declaring that only three of the 20 countries he visited can "fairly be called democracies," Senator Butler said:

"All the rest are dictatorships of the most autocratic sort, and generally militaristic dictatorships at that."

The Nebraskan estimated this country has poured $6,000,000,000 into "good neighbor" countries. Instead of resultant good-will he said he found:

1. At least one country is using U. S. Lend-Lease armaments to prepare for war on its South American neighbors.

2. Many countries are openly playing us for suckers and American officials told Senator Butler U. S. cash is finding its way into local graft.

3. High wages on American projects are looting local business men of workers, causing labor unrest and forcing inflation in some countries.

4. U. S. Government money is being used to industrialize nations which intend to compete with us for post-war markets.

Senator Butler turned his report over to the Truman and Byrd committees investigating Federal spending and the war programs.

"It is clear that the New Deal program has been neither abolished nor adjourned, but merely transplanted to Latin America," he said.

The following is also from Washington Associated Press advices Nov. 26:

Senator Butler's report was met with both criticism and praise by his colleagues on Capitol Hill today.

Representative Martin of Massachusetts, minority leader, suggested that the revelations "demand an immediate correction of conditions," while the majority leader, Mr. McCormack, also of Massachusetts, warned that the American people "should view such utterings with caution."

Steel Payrolls Rise To New High Level

Payrolls of the steel industry reached a new peak of $143,769,000 in September despite the short month, according to figures released on Nov. 10 by the American Iron and Steel Institute, which reports as follows:

The record-breaking September payroll was $1,000,000 greater than the previous peak of $142,769,000 paid out in July of this year. In August, steel payrolls totaled $139.855,000. In September a year ago $124,777,000 was distributed in payrolls, indicating an increase of 15% in total steel payrolls over the past 12 months.

Continuing the trend of the past year, employment in steel plants again declined. In September, an average of 620,000 employees was at work, compared with 625,000 in August and 640,000 in September 1942. The peak employment in steel plants during the war period was in June 1942, when 659,000 were employed.

Average hourly earnings of wage-earning employees rose to a new peak of $1.16 per hour in September. The number of hours worked per week by wage earners in that month averaged 45.3, indicating an average weekly wage of approximately $52.55. That weekly wage compared with $48.85 per week in August, and with $43.20 per week in September a year ago.

During August, steel wage earners received an average of $1.133 per hour and worked an average of 43.1 hours per week. In September, 1942 the average hourly earnings was $1.086 and the average work-week was 39.8 hours.

War Used As Excuse To Soften Provisions Of Anti-Trust Laws, Thurman Arnold Charges

Thurman Arnold, Associate Justice of the United States Court of Appeals and former Assistant Attorney General, speaking before the Institute on Post-War Reconstruction at the New York University on Nov. 24, charged that the war was being used as an excuse to soften provisions of the anti-trust laws to pave the way for domination of industry after the war. Mr. Arnold also said "we are on the verge of a new industrial age, which would bring new great benefits to the nation, provided monopoly was not permitted to stifle the elements of progress." The New York "Times" of Nov. 25 also gave the following remarks of Justice Arnold:

While assailing monopoly on the right, he also attacked the planners on the left who would place concentrated industry under control of a Government bureaucracy.

Predicting a new era of industrial development, "an age of light metals and chemicals, cheaper transportation and unimagined plenty in every form of industrial production," Justice Arnold said that "this industrial revolution may promote an expanding economy of incalculable benefit to everyone not interested in obsolete investment or in pursuing a policy of high cost and low turnover."

Pointing out that this "can be our greatest hedge against inflation because inflation is a scarcity phenomenon," he warned, however, that this will be possible only "if we allow production to develop freely and competitively."

"It will be impossible if production is dominated by those interested in maintaining their control and protecting their dividends against new enterprise," he declared.

The full production of the war threatens the concentration of industrial power which created our great depression, Justice Arnold asserted, adding that "the planners both to the left and to the right are struggling with the problem of how to distribute the vast production of a new age without breaking up that concentration."

Charging these elements with being guided by a "wavering faith in American traditions and a utopian faith in Government partnership with industrial cartels," Justice Arnold stressed his opposition to plans for control of production at home and abroad, establishment of quotas and efforts to determine the business policies of all the independent units of industry and subordinate business opportunity to a managed order.

"Such ideas are the children of confusion and despair, but they will remain with us until we regain enough faith in our tradition of free enterprise to attack the special privileges which are sapping its vitality," he said. "Monopoly control is easy to destroy if the people have the vision to destroy it. Instead of a partnership between cartels and the Government I see a new age of commercial freedom.

"The ideal of a managed economic order is alien to every American. While these traditions endure we will never accept control of production and distribution by any bureaucracy, either of liberals or conservatives. These traditions are represented by the anti-trust laws, which have been forgotten from time to time, but never abandoned."

The American philosophy of the economics of opportunity for which he pleaded, Justice Arnold said, "means that invested capital values must not be allowed to protect themselves against new enterprise or new techniques, under the cloak of corporate franchises, or associations, or patent pools, or any other device.

"Established enterprise must constantly meet the challenge of new enterprise," Justice Arnold maintained. "It means that the opportunity to make a fortune, not the stabilization of fortunes already made, is the impulse that makes the profit system work."

Condemning the "obsession for security," which, he said, dominated the pre-war years, Justice Arnold asserted that, while "it is the duty of a Government to provide social security and unemployment relief, and safeguards for investment" in time of crisis, this type of thinking should not be allowed to freeze the economic life of the nation into a rigid pattern."

"Our choice today is not between different plans for our industrial economy," the Justice added. "It is not between the various isms which march before us like a parade of Chinese dragons. Our choice lies between a cartel economy, which will usher in another decade of restricted production, high prices and low turnover, and a new age of commercial freedom."

Swiss-Allies Engaged In Economic Warfare

Switzerland and the Anglo-Saxon Allies are involved in "economic warfare," it was reported on Nov. 24 in an Associated Press dispatch from Bern, Switzerland, which said that this was the real meaning of a recent series of statements by Swiss Government and industry recently to announce, explain and defend new economic measures.

The Associated Press accounts, as given in the New York "Herald Tribune" of Nov. 25, further stated:

The whole issue of the conflict as presented by the Swiss press was this:

Switzerland claims the right as a neutral to trade with whom she wishes on the basis of accords concluded with all belligerents. The Allies, on the other hand, are striving to prevent export of important supplies to Germany.

Switzerland, in other words, wants to live as if there were no war in so far as possible. The United Nations are striving to win the war by whatever economic, political or military measures are available. Switzerland's foreign policy puts her in the line of fire economically.

All this was brought into the limelight by the blacklisting of the firm of Sulzer Brothers, headed by Dr. Hans Sulzer, leader of Switzerland's Emergency Economic Administration and a former Minister to Washington.

The Swiss say Dr. Sulzer was charged with exporting Diesel motors for submarines to Germany, which is denied.

The Allies wanted Dr. Sulzer to cease exports to Germany, except in so far as they received Allied indorsement, in the belief that, whether motors were sent to Germany for submarines or not, most Sulzer exports fall within the classifications of material benefiting the enemy.

Dr. Sulzer refused and was blacklisted, meaning that his firm can do no business with Allied nations now and very probably for some time after the war.

The Swiss Government is making it a test case, contending it alone can control foreign trade in this country and that Sulzer exports do not infringe neutrality obligations. They feel the effort to obtain a pledge from Sulzer was interference with Swiss sovereignty.

The first public step in the dispute was a Swiss decree forbidding any firm to sign any declarations to foreign powers or reveal in any way what it sells to which foreign country. This was followed one day later by a statement in defense of Sulzer.

"Gazette de Lausanne," in a front-page article entitled "Switzerland and Economic War," sees the case in this light:

The belligerents, convinced of the justice of their cause, consider it a "scandal" that nations outside the war refuse to choose. Switzerland "alone must control the economic activity of the country and accept no meddling by any foreign power in this domain." Submitting industries to "foreign control" would risk overthrowing neutrality and a "serious blow" would have been directed at the "dignity and independence of Switzerland."

Lacking an official Allied presentation, this average American after nearly three years in this country sees the case thus:

Switzerland, militantly proud of her democracy, is interested in the preservation of democracy, and has a big stake in this war despite neutrality.

Switzerland is still surrounded by the Axis and her ability to export thus is subject to a measure of Axis control. The bigger part of Swiss exports go to Axis nations for this physical reason if no other.

The Allies, convinced their war is for the benefit of all democracies, seek to reduce this where possible, in the belief that this will strike a fairer balance for a neutral State that in peace time hopes again for Allied tourists and products.

The greater part of Swiss foreign trade, in peace time as now, is with Germany. The Swiss believe there will be a Germany after this war and they don't therefore want to do anything now that will endanger trade with Germany then. They don't appear to have given much serious thought to the degree of post-war control the Allied nations expect to maintain over the Axis nations.

To understand the full import of the dispute it is necessary to go back to June, 1941, when Swiss credits in America were "frozen."

This aroused resentment, but did not become a serious issue because Switzerland could use those credits then to purchase goods. But last April 15 the Allies cancelled all Swiss navicerts. Now they are granted only to 50% of what they were before April 15, but whether this will be maintained is not certain.

The result has been a sharp increase in blocked dollars held by Swiss National Bank in America. The Swiss contend this is an imposition which endangers their currency. It has led, furthermore, to a decrease in the number of dollars that the bank will accept for francs, even for financing trade.

The watch industry, which supplies a livelihood for an estimated 15 to 20% of the population and has America as the only big market, is hard hit. It must curtail exports or accept partial payment in blocked dollars. Some, especially smaller firms, declare that reducing their exports will make it impossible for them to operate; that taking blocked dollars in partial payment will put them into bankruptcy.

The industry is fighting the bank's decision, contending the American market must be maintained or risk being lost, since the United States can make watches and may do so in far larger quantities as soon as war requirements permit.

U. S. Chamber Urges Enactment Of Bill Holding Insurance Cos. Not Subject To Anti-Trust Laws

Enactment of the pending Bailey-Van Nuys bill which would declare the business of insurance companies not subject to regulations under the Federal anti-trust laws is favored by the Board of Directors of the Chamber of Commerce of the United States. This position, which is consistent with Chamber policy previously adopted in annual meeting, was taken in approving a report of the Insurance Department Committee at the Board's bi-monthly meeting at Kansas City, Mo., Nov. 19. The committee report, submitted by John Thomas, a Chamber director, said in part:

"For over 75 years the Supreme Court of the United States has repeatedly held that insurance may be regulated by the states.

"For over 90 years insurance has been regulated by the states—each acting to meet local conditions and each as it deems best for its citizens.

"State regulation began long prior to the enactment of Federal anti-trust laws, and Congressional history strongly indicates that Congress never intended such laws to apply to insurance. Congress has evidenced no desire to regulate insurance.

"In reliance upon Supreme Court decisions, state regulation has been developed. It has been accepted by the courts, the states, the insurance business and the public as the proper and the most effective means of protecting policyholders and the public interest in insurance. Because of local conditions or preferences, the details of and practices under state regulation vary with the states; however, Federal anti-trust laws are repugnant to the fundamental concept of insurance and its regulation as reflected in the general pattern of state regulation.

"Although Federal anti-trust laws have been in effect for more than 50 years, neither the Federal Department of Justice nor any other Federal department has, until 1942, sought to apply those laws to insurance."

In approving the committee report, tne Board of Directors authorized the Chamber's Department of Governmental Affairs to support the pending legislation. The previous declaration of the Chamber, with which the Board's action is consistent, was as follows:

"The safety record of insurance in both normal and abnormal times is the result of sound and wise principles and methods, under regulations laid down by the states. The performance of effective state regulation has been outstanding. The present system of regulation offers a vehicle for steady improvement which makes unnecessary any form of Federal regulation. The characteristics of insurance render this essentially a problem for state rather than Federal control."

U. S. Must Lead World Into Saner Era During Post-War Period, Declares Elmer Davis

Elmer Davis, Director of the Office of War Information, asserted on Nov. 27 that the United States, in its capacity as the strongest military power and as the least distrusted nation, is obligated to lead the world into a saner era during the post-war period.

Mr. Davis made this statement in a radio talk from New York City at the Metropolitan Opera Guild's first Victory Rally of the new season's intermission series, "The Road to Lasting Peace."

In reporting Mr. Davis' remarks, the New York "Herald Tribune" of Nov. 28 said:

"The United States is not only the power whose policies arouse least distrust among other nations," Mr. Davis said, "but is also, at the moment, the strongest military power in the world, counting all the armed forces of land, sea and air."

He explained that while this was not true in the past and may not be true very far into the future, in this "perhaps brief moment of our primacy we are under a peculiar obligation to use our power to lead the world into a saner era, when justice rather than military force will rule mankind."

"Since this is a hazardous and uncertain undertaking," Mr. Davis said, "we must somehow exert our leadership in such a way that if—God forbid!—the endeavor should fail, we shall not in the effort have endangered our own security."

Mr. Davis said that the task of effecting the transition from an era of military force and power politics to one of international organization is the "highest and the hardest task that the statesmanship of the world has ever attempted."

"The first steps were taken, however, in the recent Moscow conference," he said, "and taken with caution and a sense of the realities.

"It was determined at Moscow that whatever international organization would be created would be based on the sovereign equality of all nations, both great and small. This is not merely a demand of abstract justice; it seems the best way to gain general acceptance in a world where nationalistic sentiment is still predominant."

Mr. Davis said that when the war is over the only first-class armed powers in the world will be the United States, Britain and Russia and that upon these three powers will depend the task of leading the nations through the transition period. He asserted that the Moscow conference recognized the fact that leadership in solving the problems of the peace must be taken by "the nations on whose armed forces rests the main responsibility for defeating the enemy."

"In an age when military power is dependent on industrial power, only Russia, Britain and the United States are capable of maintaining first-rate military establishments," Mr. Davis said.

Regarding the solving of the problems of the peace, Mr. Davis warned that the setting up of a world organization must not be expected to "bring about the millennium because there will be plenty of human problems left to be solved, even if we should attain lasting peace." He also urged his audience not "expect too much too soon."

Indicating that post-war planning should not be projected too far into the future, Mr Davis said that "whatever international organization may be now created, we must not freeze it into something static—we must remember always to leave open the possibility of change."

"If we can get a peace that will last for the next few decades, those who come after us—and they may be wiser than we—can take up the job of making it stick a little longer, and their grandchildren a little longer still—and so on," he continued.

Murray Sees Full Employment, High Production, New Levels Of Living As Basic Post-War Problem

(Continued from first page)

has exacted from them the fullest measure of ability in management of the nation's resources.

These have been great sacrifices in a common cause. They have resulted in great military victories. They have provided a firm industrial base for the war in the unprecedented production of goods at home. We can well feel a common pride in this.

I would emphasize here that these achievements in battle, on the farm, in the factory have been the joint work of all Americans. They have exacted universal sacrifices. They must imperatively lead to a victory that will have real meaning to all who have fought, bled, worked and died in the common cause.

The military victory will be good in itself. It will rid the world of a brutal tyranny which threatened freedom everywhere. But that alone will not be enough. Victory must be translated into freedom from want and freedom from fear for which the world so desperately longs. It is my hope and my belief that this can be done. It requires only a faith that it can be done, and the willingness to work together to do it. As President Roosevelt once said, we Americans have a rendezvous with destiny. No people was ever vouchsafed so magnificent a challenge, so great an opportunity, so heavy a responsibility.

The problems of the post war are many and complex. I do not wish to entangle myself in their complexities tonight. Nor do I intend to touch upon any of them in detail. I wish only to state two or three principles or goals which seem to me fundamental, in the hope that they may be helpful to us in our joint endeavor.

First, let me say something that will not surprise you. I deeply believe that the organized labor movement is good not only for workers but for the nation. Ours is a civilization based on liberty of contract. Liberty of contract, of course, cannot exist where equality of bargaining does not exist, for without equality of bargaining power, one party coerces the other, and makes impossible **free** agreement. Now most men will admit that there can be no equality of bargaining power between the individual worker and the corporation which employs him. Therefore, the recognition of collective bargaining is, as Mr. Justice Taft once said, an "elementary principle of our industrial civilization."

An elementary principle, yes. But that elementary principle for years has been denied in American practice—so much so as finally to call forth legislation to prevent its continued denial. The National Labor Relations Act was passed to give substance to this principle. By removing obstacles, it has helped workers to form unions of their own choosing, and to restore the freedom of contract which we all profess as a democratic right. It has been a good law in my opinion. It has freed millions of workers from the influence of private power which was in no way responsible to the workers over whom that power was exercised.

There is abundant evidence that men had been previously prevented from joining unions freely. The fact that since the passage of the NLRA a very great expansion of the organized labor movement has occurred proves this beyond reasonable doubt. Membership in unions has increased to three times that of 1934. The Congress of Industrial Organizations, which it is my privilege to represent, came into existence in 1935 and has won an important position in most of the basic industries of the country, including steel, auto, rubber, aluminum, shipbuilding and the manufacture of electric and radio equipment — fields in which unions had been conspicuously absent before.

This progress has been made against great odds. Resistance to workers' efforts to organize has been prolonged, in many instances bitter. It is a story I do not wish to rehearse tonight. My purpose is a different one. I would emphasize that great good has come to the nation from this growth of the labor movement. And greater good can come from it. Management and men in thousands of places have met for the first time to reason together about their joint problems. Industrial relations have been subjected to intense study. A body of industrial law has been hammered out jointly to give stability and reasonableness to the conditions under which men work. Government by consent has replaced government by one-sided action. The whole basis of the relationships between workers and employers have been strengthened by making the people who are affected part of the process by which the rules are made. Men by the hundreds of thousands have been freed from petty tyrannies and insecurities to their and the nation's great gain.

Meanwhile, in scores of instances, managements and unions have begun an experiment which may assume growing importance. They are cooperating to improve production, to promote efficiency, to raise living standards, while the workers themselves are protected from speed up and injury to their health and well-being.

I have been urged for some time that this type of cooperation be encouraged. I have suggested that it be given a suitable structure in the form of Industry Councils, representative of management and unions, to encourage maximum output, under adequate safeguards, and with equitable distribution among all concerned.

In the post-war, I most earnestly hope that responsible business leaders in America will freely accept the labor movement as an established part of our life. I hope that there will be no renewal of the ancient struggle. I hope that business will decide to go on from where we are, will welcome unions as workers' spokesmen and join with union leaders in tackling the problems we have in common. Attacks on unions to undermine them and to kill them will constitute sad wastes of our energies, and breed serious dangers for us all. We can avoid this if we will.

Threatened by the ruthless dictators of Germany, Italy and Japan, labor and management put their special interests aside and are performing miracles in the production of the tools of war You share with me, I am sure, a feeling of satisfaction over what this cooperation has meant in the production of steel:

In 1940, 67,000,000 tons.
In 1942, 86,000,000 tons.
In 1943, 93,000,000 tons.

Steel, translated into ships, has given us the world's greatest and most powerful navy. Today, ships which formerly took 135 days to produce are produced in 83 days.

Production records are being broken in other industries daily. The cooperative efforts of our free people have once more triumphed over the forced labor of the enslaved.

This willingness to work together can give us equally startling results if carried over into peacetime. Our slums can be built into homes where healthy children can play and grow. Our schools in backward and poor areas can be rebuilt and staffed with competent teachers, so that all children will receive the educational opportunity now afforded the more privileged. The good earth, our greatest natural resource, can be conserved and rehabilitated by well-formulated conservation plans. All these things and much more can be accomplished if the cooperation of war time is projected into peace.

It follows, of course, that unions must be democratic. Workers must have full freedom to express themselves, to make their union rules, to elect officers, to meet regularly, and to change officers when they desire to do so. It is labor's task to train leaders capable of adapting themselves to the responsibilities which leadership in the labor movement demands today. There must be less table pounding and more willingness to work together. Both labor and management have stressed power over instead of power with.

Workers tell me daily that management as personified in the foreman is impossible to get along with. The testimony of the workers in "Readers' Digest" indicates the need for developing men who understand personnel relations on the foreman level. Frankly, too many foremen are picked because they are good production men. But it does not follow that the abilities which make a man a good sprayer in the paint shop automatically makes him a good foreman.

As to union officers being incompetent, I have only this to say. There are hundreds of able union men, working zealously at all levels for the welfare of industry and the nation. There are more of them every day. Above all, if we move beyond the stage of resistance to the very existence of unions, union leadership will grow. Unions have had to fight for **existence** for decades. A militant environment produces militant leaders. Once unions are accepted as necessary parts of our industrial life, leadership develops those qualities suitable to their opportunities and their job.

I hope then that we face a post-war where the old fight against labor organizations will be laid permanently to rest. Our basic problem of raising our national income and levels of living will then enjoy the wholesome aid of workers. For when collective bargaining is freed from being a tug of war, it can develop into a mechanism to release the full brain power of management and workers on our productive processes, to the enormous good of all.

Our basic problem, I say, will be that of achieving full employment, high production, new levels of living. The decade before the war was shadowed by mass unemployment, work relief, misery and fear. To that world we must not return. It was not good enough. In the light of our sacrifices a return to such waste, idleness, and penury would be a mockery of our hopes as it would be a sinful denial of our possibilities.

For the war has demonstrated unanswerably that we can produce the material substance of a life the like of which the world has never known. We are now producing a net annual income of about $150,000,000,000. In all probability we shall increase that in 1944. We must continue to produce it when men return to peace. That is the transcendent objective of my own organization. I hope it will be the transcendent objective of yours.

We must have full employment **— real job for every able bodied American who wants to work.** How many jobs that will be depends upon factors that cannot now be accurately determined. Our labor force, including our armed services, is now around 63,000,000. After the war, many women will elect to return to their home duties. Many older people will retire. Many young people will go back to school. There may be five or six million of these, leaving a civilian labor population of say 57,000,000 after the Army and Navy have been demobilized. Allowing for ordinary frictional unemployment, we should have 55,000,000 people working steadily every working day. This is a benchmark against which our success should be measured.

I have said a "real job" for every American willing and able to work. I mean, of course, that it shall not be a "made" job, a relief job, a fake job. It should be one which will elicit the pride and satisfaction of the man and his neighbors.
tion of the man and his neighbors.

A "real job," gentlemen, means a job at an annual wage high enough to make possible home ownership, children, and enough good food and clothing to keep them well and happy. It means producing the necessities of life for everyone and as many of the luxuries as possible. The maintenance of the American home, the foundation on which our democracy rests, depends upon the opportunity of real work with decent union wages for every worker. A shortage of jobs, low pay and bad working conditions means postponed marriages, declining birth rates, and emotional insecurity. Study sometime, if you will, the correlation between the business cycle and the decline in birth rate. From 1929 to 1939, the years of depression, millions of marriages were postponed, the birth rate declined sharply, and the pattern of America's future was changed because we failed to put first things first. People are important. And children are our greatest asset.

When war ends, hours will be reduced by some amount, possibly to a national working average of less than 40 per week. But, we must avoid the concealed unemployment that hides behind short hours, and means only a sharing of misery.

With such employment, and with our immense production resources, we can easily have a national income after the war of 140 to 160 billion dollars. We can enjoy levels of living, food, shelter, clothing, education and recreation that will be the perfect answer to the question: "What exactly does victory in the war mean to me?" These levels of well-being will give all Americans freedom from want. They will evoke from Americans a loyalty to their country and its institutions beyond anything we have ever known. They will make it possible for us to help bind up the wounds of the world and assist other peoples to secure freedom from want. They will help us attain freedom from fear for all.

Can this be done? The answer is yes, if we look at our material resources, our skills and our knowledge. The answer again is yes, if we can believe economists of every political color, who, in government and out, have learned so much in the last decade about how our economy works. The lesson of their findings is that to achieve full employment we must keep all our income moving, no matter how large it becomes. We must not allow income to be idle, else it wll cause unemployment and waste, falling income and business loss. Many concrete and practical suggestions follow from this principle. We must give all legitimate encouragement to competitive enterprise. We must do our utmost to reduce monopoly, for monopoly restricts output and thwarts investment. We must examine our entire tax structure with an eye to its effect on production and employment, on investment and spending. Sales taxes, for example, must be avoided for they take purchasing power from those who spend it and depress business and employment. Progressive income taxes must be retained for the opposite reason. Corporate taxes may not now be designed to help economic activity. If so, they should be studied and made to encourage actual investment, production and employment. Social security taxes too should be set so as to balance income and benefits at full employment. The rates now are highly deflationary and will threaten in the post-war a repetition of the depression of 1937-38. Finally we must instruct our Government to sponsor public works, on a scale adequate to help free competitive enterprise in the job of realizing full employment. This may have to be large; it may be small. More likely it will need to be large at times, small at others. Finally, Government itself should be studied and improved to make flexible administration possible.

There are many other questions to be dealt with in the post-war. I have chosen however to emphasize two of them that seem to me of transcendent importance to our democratic life. And they are problems we can, I might almost say, easily master. If we support such a fiscal program as I have suggested, we can in two or three years achieve the economic progress of a generation. If at the same time, the labor unions are accepted genuinely and in good faith, and full cooperation developed between management and workers, we shall release strength for our national productive effort and tap a tremendous reservoir of goodwill throughout the nation.

Columbia University Capital Resources At $159,000,000

The estimated capital resources of Columbia University and its six affiliated institutions are $159,547,376, as compared with $159,275,680 a year ago, according to statistics made public at the University. Capital endowment, excluding value of the plant, is listed at $88,265,934, and the total value of land, buildings, and equipment at $59,683,067. The budget for the last fiscal year was $14,443,882.

The University's announcement further stated:

"The affiliated institutions, Barnard College, Teachers College, the College of Pharmacy, Bard College, the New York Post-Graduate Medical School, and the New York School of Social Work are under separate financial control but educationally a part of the University system. All degrees granted to students in these institutions are conferred by Columbia University.

"Degrees conferred in course last year numbered 3,857, bringing the total number of degrees granted by the University since 1758 to 142,162. The total number of living graduates and non-graduates including Barnard and Teachers College, is estimated at over 100,000. Registration of resident students last year for the entire University was 22,920.

"The teaching staff of the University consisted of 3,022 persons, and the non-academic staff 3,933. In the previous year the corresponding figures were 3,096 and 3,103.

"There are 71 buildings at Morningside Heights and the University Library contains 1,934,512 volumes. The University, founded in 1754, is described as co-educational except in undergraduate courses and in certain isolated courses which are not open to women. Religious control is non-sectarian. Tuition last year ranged from $400 to $553, while other expenses averaged $757 with a low of $503.

Build For Peace Now, Says Kaiser, Declaring Peak War Production Passed In Some Lines

Henry J. Kaiser, at an interview in his office on Nov. 24, said that the peak of war production in ships and some other lines had passed and that it was time right now to begin building for a peace which could bring the greatest era in our industrial history—if its full possibilities were realized. Mr. Kaiser's views were presented by Montgomery Wright in a special article which appeared in the New York "Sun" of Nov. 24. We give below in full Mr. Montgomery's article:

The veteran builder, noted for his daring in meeting and conquering changing conditions, declared that the heights which would be reached, and the Government control which would ultimately come, would depend only upon the quality of leadership in commerce, labor unions and educational institutions.

"Prospects are not clear at the moment because we have a tremendous credit problem which must be concluded before we can go forward," Mr. Kaiser said, glancing out across the skating area through the windows of his Rockefeller Center office. "It is extremely serious, because it soon must be decided whether the banks are going to take care of the credit of this nation on the basis of full employment, or whether it will go to the Government by default.

"We have already demonstrated in the war effort that we can produce almost anything in any quantity. The war has taught us how to train men and women quickly for new trades so that the labor which is displaced by the machine can be quickly adapted to new techniques. In the dread circumstances of war we have brought employment to the peak and efficiency to an all-time high."

Mr. Kaiser asserted that the possibilities for a new industrial advance, the blueprints of marvelous new products in nearly every field were in industrial laboratories, waiting to come forth.

"I don't believe in an economics of scarcity," he declared with his characteristic forcefulness. "I believe in full production, full productive employment, and I believe that the more we produce the more we will have to divide. Our task and our hope is to release out energies for creative effort.

"Competitive force is the greatest force in the world—the only force that is creative. Once Government becomes a policing unit it is very easy for that policing unit to want to expand its powers and to want to become creative. The minute it reaches the point where it is itself creative it performs that service which the people as a whole should perform."

But even here Mr. Kaiser checked the final responsibility back to the people's leaders in industry, labor unions and education.

"The only time a democratic government can succeed in retaining powers which should not belong to it," he said, "is when it finds disorder. And the only time there is disorder is when there is confusion and friction among the people.

"You can't defeat prosperity. Every one will vote for prosperity. So it's up to industry and all these various leaders to create prosperity. The amount of Government control that will result to achieve the post-war resurrection will depend entirely upon whether or not the people's leaders will become aroused to their opportunities and their responsibilities. In our complicated economic society the working man himself cannot do this personally. It is the responsibility of those who represent the people, and they will be compelled to do something about it."

Mr. Kaiser declared firmly his belief that it was within the power of the leaders of labor, commerce and education to act now to prepare for full post-war prospects, with the realization that your responsibility goes beyond the responsibility to just self."

"An active, progressive, expanding production is the chief source of social welfare which we so much desire," he said.

"In some working channels we have not passed the peak of war production. I don't believe we have passed the war peak in aircraft production, for example. But we have passed it in shipbuilding. We have gone beyond the supply in basic materials, except steel. We have passed the peak because we have passed the need for that much tonnage per year. At the moment we are sinking more submarines than they are sinking ships, and we are building ships at a much greater speed."

The Kaiser shipyard at Richmond, Cal., only one of his enterprises, delivered 32 Liberty ships last month. Four aircraft carriers were completed in the month by the Vancouver yards. He is happy in the belief that troubles of the Brewster Aeronautical Corp., of which he assumed active management as President when production lagged, seem to be on the way to solution.

A rugged and two-fisted business man, Mr. Kaiser turned to a reverently spoken Biblical comparison to illustrate his idea of the ordeal through which the world has gone and the bright future ahead.

"Of a truth, we have passed through Gethsemane," he said. "The crucifixion is upon us. With each passing hour thousands of young men are laying down their lives that others may live. Today whole nations mount the cross.

"We are in the business of building the instruments of destruction. In this effort miracles are a daily occurrence. Sea water is turned into a valuable metal as was the water into wine. Men are all but raised from the dead by the blood plasma which is fed into their veins. Food is processed until a basketful will feed the multitude, as did the leaves and fishes. Coal tar, a by-product of the coke used in making steel for cannon and machine guns, is transformed into the sulfa series.

"Our resurrection is at hand. Today man faces the most superb opportunity which has come to him. His world lies in ashes. It is now his to rebuild."

From Washington

(Continued from first page)

to Latin America for Butler's "insult." He purposely would not permit a larger crowd of reporters for fear he might be put through a severe interrogation. Butler, of course, said nothing insulting to the Latin Americans. Instead, he said that many thinking Latin Americans were fearful lest the economy of their countries was going to be destroyed by our loose operations.

The fact is that Henry, when he made his "triumphal" tour several months ago, caused more disturbance, at least in official circles, than any such disclosures as Butler's will cause. Henry, who had studied Spanish for the trip, took his crusade for that "common" man of his with him. His speeches were fiery, strife promoting, and the State Department almost had conniption fits.

In one country he was met by the proper State officials, as befitting his position, in the traditional manner of the country—a four-horse-drawn coach with outriders. He expressed his annoyance in no uncertain terms. Upon his departure the coach was again drawn up for him. He figuratively thumbed his nose at it and set out to walk to the airport, a distance of five miles. Aside from thus insulting the Government, the officials assigned to him had to trot along in their top hats and long tailed coats.

It was shortly after Henry returned that stories began to emanate from the Harry Hopkins clique that Henry was not to be the President's running mate in 1944. There has been a coolness between him and the White House intimates ever since and it has caused Henry to say frankly that he intends to be the President's running mate whether the President wants him or not.

Part of the coolness has been attributed to the admitted popular acclaim which Henry received in Latin America. There is also the fact that insofar as the governments go he didn't help goodneighborliness any. Nowhere is the caste feeling stronger than in Latin America. They are referred to as republics down there, but mostly there aren't anything like republics.

A few weeks after Henry's return he appeared before an off-the-record gathering of the town's leading correspondents to tell about his trip. Aside from the good time he had had the only thing was the relative merits of Chilean and United States corn. The assembled correspondents, sensing this, continued for two hours to ask him every conceivable question about corn they could think of. Subsequently they reported it was the most exhaustive lecture on corn they had ever received. Henry's a sight. Causes a lot of harm, though.

It is interesting to note the line-up behind the President in his fight for subsidies: The CIO, the Farmers' Union and the National Consumers' League, all of them Leftist and more or less New Deal agencies. The Farmers' Union has been in existence for years in a moribund state. At one time it was a vehicle of sorts for the Republicans among Southern farmers. The New Deal revived it when the farmers split with the American Farm Bureau.

We are not enough of an economist to write authoritatively about the merits of subsidies in this particular instance. But we do know the political origin of them. At the height of John L. Lewis' defiance of the Administration, Bill Green of the A. F. of L. and Phil Murray complained bitterly to the President that Lewis' aggressiveness was most popular among the workers, that he was being touted as the country's greatest labor leader. They felt that they had to cut up, show some aggressiveness, to maintain their places in the sun. The President assured them he would give them something to show their influence with the Administration. Subsidies were the result; well not subsidies exactly, because the Administration had long been using them in the matter of milk, coal, some other commodities. But to appease Green and Murray, an extension was evolved to make possible a "roll back" in prices. Funny thing now is that the A. F. of L. is not active in the subsidy fight. The CIO is very much active. To its members it is claiming the origin of the roll-back formula.

Atherton Becomes U. S. Ambassador To Canada

At a ceremony in the Government House at Ottawa on Nov. 19, Ray Atherton presented his credentials as the first United States Ambassador to Canada. Mr. Atherton had been serving as Minister to Canada since August, but the change in diplomatic status was necessitated by the recent accord between the two countries raising their legations to embassies.

Movement To Federalize Insurance Says Fraizer, Supporting State Control

New York Insurance Superintendent Opposes Interference With State Regulations

Asserting that "many of us are convinced that there must be a halt to the present movement toward Federalization if the Federal system is to be conserved and local government continued," State Insurance Director Fraizer of Nebraska has written the Senators and Representatives from Nebraska to support the pending bills declaring for the continuation of State control of the business of insurance. This is learned from Lincoln, Neb. advices to the New York "Journal of Commerce," which reports Mr. Fraizer as stating in part:

"It is submitted that State supervision has capably protected and is capably protecting the insuring public. There is no evidence supplied in other fields to indicate that Federal supervision will render better service to American policyholders.

"After several years of experience in this office, I am fully persuaded that a transfer to Federal supervision would be detrimental. Policyholders are in constant touch with this office with reference to their rights and interests, and we can give final answers. Even if there were local Federal bureaus, the local Federal bureau, with the best intentions in the world, would be required, as other local Federal bureaus are required, to refer questions to Washington. It is safe to say that, at least in this area, such procedure would be almost unanimously disliked.

"Again, with such a vast amount of Federal activity already added for more valid reasons, this field, which no one (unless it be those in Federal bureaus) is seeking to transfer, should be left to the States. If an effort were made to classify companies operating wholly within one State into a State group and companies operating in several States into a Federal group, the citizen would be deprived of the benefits of the present keen competition which inures to his benefit."

The Insurance Department of the State of New York went on record on Nov. 19 as strongly opposed to "any Federal developments" which would interfere with its own regulation of insurance. This was indicated in the "Wall Street Journal" of Nov. 20, which stated that in a letter to Senator Van Nuys, Chairman of the subcommittee of the Senate Judiciary Committee which has just reported favorably on the Bailey-Van Nuys bill to declare insurance exempt from the Federal Anti-Trust Laws, Robert E. Dineen, the recently appointed superintendent of insurance for New York State, declared:

"Our statutes give us a substantial degree of control over fire insurers, rating organizations and rates and that control serves to protect the hundreds of thousands of policyholders in this State. . . . This Department would regard as highly detrimental to (their) interest any Federal developments, either in the form of judicial decisions or Congressional action or inaction, which would make it illegal for insurers and rating organizations to follow the spirit of our statutes."

NYSE Listed Co.'s Earnings Gain 11.4%

Contrary to numerous predictions a year ago, soon after the Revenue Act of 1942 was enacted, net earnings of corporations listed on the New York Stock Exchange have tended this year to improve over last year's results, it was stated in the November issue of "The Exchange," monthly publication of the Stock Exchange. It is noted therein that the task of tabulating this year's earnings has, however, been more handicapped this year by influences growing out of taxation, renegotiations of contracts, etc. It is added:

Corporate reports, quarterly, half-yearly, etc., have been slower in reaching the public; in consequence, "The Exchange" is able at this time to record the results for the first nine months of only 385 companies, compared with 390 a year ago and 400 two years ago.

For the three quarters of 1943, the estimated net income of the 385 companies was $1,589,563,000, an increase of 11.4% over the aggregate reported by the same corporations in 1942.

The publication further states:

"The showing reveals a notable alteration of trend, for the 390 companies reported on last year disclosed a decline of 16.3% from 1941. Explanation for this divergence is displayed strongly among individual groups. The companies of the automotive category, for example, gained 24.6% over the corresponding 1942 period; in the latter period, contrasted with the same interval of 1941, a decline of 40.7% occurred. Heavily engaged in war production, the figures indicate that such listed companies as these largely expanded their deliveries this year. And the same can be said of the chemical group which, in contrast with a decline of 30.1% in net profits in 1942, showed this year an upturn of 10.4%, with a net of $162,508,000 for 42 corporations.

"In the report published a year ago, so few of the 13 amusement concerns had issued their statements at this time of the year that the scanty reports were lumped with some others among 'other companies.' This year nearly half of the group had their nine months' figures out, showing a rise of 60.09% over the corresponding period of last year.

"The railroads moved ahead again, but their income gain disclosed something of a leveling off process. Whereas the $360,653,000 improvement of net was 21.6% above the 1942 group total, a 44.2% rise occurred in 1942 over 1941. The railroad tax bill has been higher in 1943; a rise of freight rates was rescinded by the Interstate Commerce Commission, and costs have not receded. Although rail earnings have remained substantial in respect to their relationship to fixed charges, it is possible, in the opinion of statisticians, that debt retirement will not prove to have been as extensive this year as many observers expected.

"A strong reversal of trend was scored by petroleum companies."

French Africa Pays U. S. For Civilian Supplies

Representatives of the French Committee of National Liberation handed a $15,000,000 check to Leo J. Crowley, Foreign Economic Administrator, on Nov. 18. It brought their payments thus far to the United States for civilian supplies furnished to French North Africa to $56,340,000 according to United Press Washington advices, which also reported:

In addition to the cash payment, an F. E. A. official said, the French committee also has turned over to the United States about 30,000 tons of wheat and many thousands of tons of fresh fruits and vegetables under reverse lend-lease.

Govt. To Lease Cerritos Channel Oil & Gas Rights

Arrangements to protect the public's share in an estimated 17,000,000 barrels of oil and gas deposits underlying the Cerritos Channel between Los Angeles and Long Beach, Calif., were announced on Nov. 22 by Secretary of the Interior Harold L. Ickes, with the completion of plans for offering these deposits under approximately 92 acres of Government-owned lands in the channel for development under lease from the General Land Office on a royalty basis. At the present time, these oil and gas resources are being drained from the Government property at the rate of 1,000,000 barrels annually by private interests without direct recompense to the Federal treasury, it is estimated.

Mr. Ickes announcement further went on to say in part:

"With the operation of the new program, which calls for the filing of sealed bids for the leasing privileges at the Office of the Secretary of the Interior in Washington before 10 a. m., on Dec. 13, 1943, the Government will receive a 16⅔% royalty on the production from the area. Moreover, the right to develop the deposits will be granted to the highest bidder for the leasing privilege.

"The highest price ever paid in the United States for the opportunity of drilling for oil in Federal lands was reached last August, when $1,407,500 was offered as a bonus for leasing 262½ acres of land in the Elk Basin Field in Wyoming. In this transaction, the highest per-acre bonus bid was $5,800, it was reported by Commissioner Fred W. Johnson, of the General Land Office. The Cerritos Channel Supply is estimated at 185,000 barrels per acre, nearly four times the capacity of the known Elk Basin reserves.

"In accordance with the customary procedure, each bid of a bonus for leasing privileges in the Cerritos Channel must be accompanied by a certified check or cash equal to one-fifth of the bonus bid. The successful bidder also must pay the remainder of his bonus bid and file a $25,000 bond before the lease will be issued to him. The deposits of unsuccessful bidders will then be returned.

"The bonus bid and all money received as royalties under the lease for oil and gas extracted from the land will be deposited in a special fund in the Treasury pending final judgment in the litigation involving this land.

"The lessee's operations will be subject to the supervisory jurisdiction of the U. S. Geological Survey of the Department of the Interior, although the War Department will retain jurisdiction as to any surface installations affecting flood control and navigation.

"The leasing program calls for drilling to begin within 60 days after the delivery date of the lease and the drilling of 10 wells to production within 12 months, and an additional 6 wells for a total of 16 wells within 18 months from the delivery of the lease, in the Terminal and Ranger zones. Other development requirements are specified in the lease.

"Consent to the drilling of a lesser number of wells may be given by the Secretary of the Interior, who also may approve a unit plan of operation, if proposed by the lessee.

"The leasing by the Government of the Cerritos Channel oil and gas resources forms another interesting chapter in the history of commerce and the development of petroleum in the Los Angeles area. Records in the case show that the problems had their beginning in 1908, when Los Angeles sought to transform a tortuous, shallow water link with Long Beach into a full-fledged, navigable channel for ocean - borne commerce. To meet that civic ambition, land owners deeded certain tracts of land to the United States Government for the construction of a straight, deep, navigable channel. It was stipulated in the deeds that the lands should revert to the original owners if their use for channel purposes was abandoned.

"In December, 1936, the first well was brought into production in the now famous Long Beach-Wilmington Field in a region that included the Government-maintained Cerritos Channel, Subsequently, intensive private oil drilling operations threatened depletion of the oil and gas on the Government property, some estimates indicating that more than 6,000,000 barrels already had been drained from the channel.

"In January, 1943, the United States District Court for Southern California held that title to the land rested in the United States Government, and maintained that the United States had the right to extract oil from the land if there was no interference with the original plan for the maintenance of a navigation channel. Pending final action on an appeal by the original owners from this court finding, President Roosevelt subsequently issued an executive order transferring jurisdiction of the Cerritos Channel from the War Department to the Department of the Interior, insofar as the administration of the property for the production of oil and gas was concerned, and the detailed program for protection of the public interest in the petroleum supply in the Channel was formulated by the several bureaus of the Interior Department."

Dec. 8 Designated Day Of Prayer For World Peace By Pope

Pope Pius XII, designating Dec. 8 as a day for public prayers for peace throughout the world, said on Nov. 27 that "only the gospel can bring the nations together again." In a papal letter to Luigi Cardinal Maglione, Papal Secretary of State, broadcast by the Vatican radio in both English and German, the Pope said:

"While the rumbling and crashing of arms goes on and while so much hate is prevalent, the fraternal voice of charity is silent or, if about to utter a syllable, is immediately silenced."

Associated Press London advices, from which we quote, further reported:

Calling on the faithful to turn to God, the Pope said: "Even if this gigantic conflict — certainly the greatest that the whole world of history has ever witnessed—is daily raging with increasing violence and causing innumerable tragedies and ruin on both land and sea and in the air, we see with sadness that many are living forgetful of their personal duties to God.

"They ignore and sneer and violate His holy laws."

"It is true that everybody in general laments over the present tragedies, the difficult state of affairs and, in many places, the frightening economic situation. It is true that many are living in a state of fear—fear of present and future dangers.

"Not everybody who has been touched by these terrible afflictions, however, reflects that humanity brought it upon itself and that it is paying the penalty—the penalty of having drawn away from God and His laws.

"It is necessary, therefore, that all through the medium of penitence and virtuous thoughts turn again to God. . . .

"While only the Gospel can bring the nations together again—and this often forgotten—it is necessary that all of the faithful, united in their love for God, not only reawaken and renew their personal faith and virtue, and not only must they continually pray to God for pardon for their personal sins, but with spontaneous deeds of penitence they must compete between themselves in their prayers, even at the risk of oppression."

The broadcast of the papal letter, which was heard by the British Ministry of Information, made no mention by name of any nation.

The Pope stressed hopes for a "benign peace—a peace universally desired."

Continuing, he said: "We ask for peace, but let it be a peace which is not founded on fears, on force, or on hate, but on righteousness, on truth, on justice and on fraternal charity.

"Let us turn again to the Virgin Mary. We desire that all turn to the Virgin Mary on the day that is sacred to the Immaculate Virgin and that public prayers be held all over the world."

Dec. 8 is the "day of the Immaculate Conception."

NYU to Hold Conference On Pension And Profit-Sharing Trusts

Corporation executives, lawyers, bankers, accountants, insurance company officials, actuaries and representatives of the Federal Government will participate in a three-day conference on problems connected with pension and profit-sharing trusts to be held at the Washington Square Center of New York University beginning Dec. 2, it was announced Nov. 21 by Dr. Arthur T. Vanderbilt, Dean of the University's School of Law.

Explaining that reports on the pension and profit-sharing trust which business organizations have set up for their employees will soon have to be submitted to the Treasury Department and that future tax reductions allowed on the basis of these trusts will depend on whether the trusts meet government standards. Dean Vanderbilt said the conference will be concerned "with the broad problem of creating and maintaining liberal and efficient pension systems in the face of pending legislation and a rapidly changing economic picture."

The conference has been planned by the New York University School of Law and Division of General Education in cooperation with the National Association of Life Underwriters, the Association of Life Underwriters of the City of New York and the Insurance Department of the United States Chamber of Commerce.

Among those who will address the conference are Harry B. Blagden, assistant actuary, Prudential Insurance Co.; George B. Buck, consultant actuary; C. Preston Dawson of the C. P. Dawson Co.; Adrian W. DeWind, senior attorney, Office of Tax Legislative Counsel, United States Treasury Department; John W. Drye, Jr., of Rathbone, Perry, Kelley & Drye; Milton Elrod of the Indiana bar; Esmond B. Gardner, Second Vice-President of the Chase National Bank; John Gerdes of Gerdes & Montgomery; Sidney Gutkin, Federal tax consultant; R. A. Hohaus, associate actuary, Metropolitan Life Insurance Co.; J. K. Lasser, certified public accountant; James L. Madden, Vice-President, Metropolitan Life Insurance Co.; Denis Brandon Maduro of the New York bar; Chauncey A. Newlin of White & Case; Thomas N. Tarleau of Willkie, Cwen. Otis, Farr & Gallagher; and G. G. Terriberry of the Mutual Benefit Life Insurance Co. of Newark, N. J.

Prompt Settlement Of Terminated War Contracts Urged By Federal Reserve Board

If the Government and business are to meet the stupendous post-war task of converting to a peace economy, prompt and final settlement of terminated war contracts by agreement between the contractor and the original contracting agency is essential, declared the Federal Reserve Board on Nov. 16, in making public a resolution adopted by its Advisory Council and concurred in by the Board. The resolution said that such settlements should not be subject to review by any other agency except for fraud, and added:

"Any amounts that might conceivably be saved the Government through a post audit will fade into insignificance in comparison with grants for relief that will be necessitated by resulting delay, uncertainty and unemployment."

The resolution recommended legislation to provide "more adequate means of interim financing" in cases where there is "unavoidable" delay in final payment for canceled contracts and to relieve contracting officers who negotiate settlements from personal liability except for fraud.

Combined Certification For Federal State Tax On Stock Sales

The New York Stock Exchange notified member firms on Nov. 20 that both the Federal and State taxing authorities have agreed to the use of a combined certification for both Federal and State stamp taxes to be placed on memorandums of sale.

The Exchange also informed members that the Federal and State authorities have also agreed to the use of the following combined certification to be used on the back of certificates, if and when the Exchange shall decide that such certifications on the back of certificates may be used in so far as deliveries of securities are concerned:

"It is hereby certified that New York State and Federal stamp taxes applicable to the transfer of ________________ shares of this certificate have been paid through

____
(Insert name of clearing house)

____
(Date)

____
(Facsimile sig. of member firm)"

The notice to member firms, sent out by Max Jacquin, Jr., Assistant Secretary of the Exchange, further pointed out:

Notwithstanding the use of the combined certification, it will still be necessary to pay New York State transfer taxes on Curb Exchange transactions through the Curb Clearing Corporation until such time as the State regulations are brought into conformity with the Federal regulations, when we expect it will be possible to pay all taxes through one clearing corporation.

"Attention is again directed to the fact that both the State and Federal regulations apply to pair-offs and transactions in odd-lots with respect to which payment of the required taxes must be made through Stock Clearing Corporation and adhesive stamps may not be used."

Non-Farm Foreclosures Down In Nine Months

The Federal Home Loan Bank Administration reports that non-farm real estate foreclosure activity for the first nine months of 1943 was substantially below the comparable period for 1942. The 20,228 cases estimated for January - September represent a 39% reduction from the number completed during the same period a year ago. This movement was geographically widespread, each Federal Home Loan Bank District showing more than a 30% decline in foreclosures. The diminishing volume of distress actions is a reflection of national economic improvement and increased earning power of home owners.

The announcement further stated:

"The national foreclosure rate for the third quarter of 1943 expressed on an annual basis, was 1.1 per 1,000 non-farm structures. This compares favorably with the rate of 1.8 for the corresponding period of 1942. During the current quarter foreclosure rates by districts ranged from 0.2 per 1,000 structures in Portland, Ore. District to 2.4 for the New York District.

"Non - farm foreclosures increased 9% during September when 2,077 cases were completed throughout the United States. The upward movement was not concentrated in a particular area but was noted in eight of the twelve bank districts. The index of foreclosures which now stands approximately 84% below the 1935-1939 base period, increased 5% during September.

Congressmen Endorse World Free Press

A crusade to obtain peace-table guaranties of a free press throughout the world—as proposed by Kent Cooper, Executive Director of the Associated Press—Won enthusiastic, bi-partisan indorsements on Nov. 23 from members of Congress according to Associated Press Washington accounts on Nov. 23, which also had the following to say:

"Representative Sol Bloom (Dem., N. Y.) Chairman of the House Foreign Affairs Committee, said in an interview that achievement of Mr. Cooper's aim would do as much, or more, than any other step which can be taken to guarantee a lasting peace.

"It is one of the most enlightened, intelligent, democratic suggestions made since the war began," said representative Clare Boothe Luce (Rep., Conn.) "I believe Mr. Cooper advanced a similar proposal 25 years ago at Versailles. It has taken 25 years to come around to it but, if accepted, it would be one of the best possible hedges against another war."

Representative Edith Nourse Rogers, (Rep., Mass.) one of the ranking minority members of the Foreign Affairs Committee, called Mr. Cooper's proposal "a constructive approach to one of the world's real problems," and declared that American statesmen should make every effort at the peace table to obtain free-press guaranties.

Mr. Cooper's proposal was referred in our issue of Nov. 25, page 2140.

Stop C.O.D. Postal Service From Cuban Naval Base

Postmaster Albert Goldman of New York announced on Nov. 22 that information has been received from the Post Office Department that, effective Dec. 1, C. O. D. service is discontinued to or from the United States Naval Operating Base, Guantanamo, Cuba, (including the personnel of the Navy on board United States naval vessels located in Cuban waters who receive mail through that base) and the First Marine Division, Fleet Marine Force, Guantanamo. This action, it is announced is taken at the request of the Navy Department.

Further Recovery In Steel Production Rate Buoyed By Heavy Plate And Sheet Orders

"New cutbacks in certain types of war equipment became known this week, while upon other military items pressure has increased for quick delivery, but the predominant thought in the metalworking industries over the nation is centering around the necessity for a start toward reconversion," "The Iron Age" states in its issue of today (Dec. 2), further adding in part as follows:

"Considerable readjusting of aircraft production schedules has been under way recently, with some suppliers' contracts pushed back or eliminated. With supply lines heavily filled, orders for considerable military ground equipment have been cancelled or trimmed. Industrialists are expecting further cancellations in the small arms program and perhaps another sharp slash in the Army tank program.

"Contrasting with the reductions in contracts, new secret weapons for the Army and Navy are creating a tight situation at certain tube mills, the demand for truck parts is far above supply, and renewed emphasis is noted upon construction of landing craft.

"Meanwhile, the steel industry still is piling ingots and the national production rate, plainly is being buoyed by heavy plate and sheet orders. Some authorities believe steel operations are near their peak. At the year's end, in the opinion of one Washington expert, as many as 40 to 50 open hearths may be idle.

"Relaxation of Government limitation orders, predicted last week is quite likely. If the rate of steel operations holds between 80 and 90%, the CMP plan probably will be continued very much as it exists now, but if the ingot rate drops below 80%, the CMP plan may be dropped entirely or modified drastically.

"Aside from recent cancellations resulting from cutbacks in the war program, the steel industry has noted an increase in cancellations from customers who apparently have been checking more closely their inventory position. Also, the difficulty in obtaining plates and sheets has forced cancellations of other types of steel from some manufacturers such as farm equipment makers.

"At the same time, an increase of 'conditional orders' for steel for use after the war ends is noted through the industry. Auto parts makers have been particularly aggressive in this respect. Machine tool builders also have been receiving orders for specific types of equipment to be built and delivered within a specific period after controls over materials are eased.

"Huge quantities of steel are now listed as surplus inventory at WPB regional redistribution offices over the nation. In the San Francisco territory between 75,000 and 100,000 tons are reported in sight for listing. It is estimated that probably 75,000 tons of aircraft steel may be in the idle or surplus category over the nation.

"The weakness in alloy steel scrap is more pronounced. Supplies are plentiful and substantial tonnages are going begging. Amounts being sold often are minus the customary premium price for alloy content. However, rumors that scrap allocations may be abandoned are denied strongly at WPB despite the fact that many Steel Division officials expect lower steel operations. Cast iron grades continue tight, particularly west of the Mississippi.

"The CIO steel workers union this week is perfecting its plans to obtain a wage increase from the steel industry."

The American Iron and Steel Institute on Nov. 29 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 99.5% of capacity for the week beginning Nov. 29, compared with 99.1% one week ago, 100.0% one month ago and 98.3% one year ago. The operating rate for the week beginning Nov. 29 is equivalent to 1,734,200 tons of steel ingots and castings, compared to 1,727,300 tons one week ago, 1,743,000 tons one month ago, and 1,681,600 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Nov. 29 stated in part as follows:

"Steel requirements for the next few months are greater than capacity but the margin is narrower than in recent quarters and indications point to possibility of more steel being released for domestic requirements.

"Washington estimates are to the effect that first quarter demands of claimant agencies are within 2,000,000 tons above estimated output, which is regarded not only as a leveling of ordnance requirements but also a better relationship between supply and demand under Controlled Materials Plan.

"Pressure for steel has eased in general, with demand for plates and sheets being sustained, but orders are lighter in other major lines, with overall requirements off. Consumers show increasing reluctance to order far ahead and a pronounced disposition to draw on inventories where possible, in spite of the fact they are weighing carefully the possible effect of higher raw material costs and wage demands on steel prices.

"Ingots are in freer supply but pressure for forging ingots for ship work shows no decline. A factor in the softer position of ingots is a sharp cut in export shipments, movement abroad during first quarter being negligible.

"In general plates and sheets are the only major products on which deliveries are substantially extended beyond first quarter. Plate promises run well into May and sheets even further. Most sheetmakers have nothing to offer in hot-rolled cold-rolled or galvanized before May and some can promise nothing before July or August. Ship work dominates plates and it is estimated the Maritime Commission will take about half the first quarter production, with the Navy requiring an additional 30%.

"Carbon bar deliveries show little change, most promises being for February, with small sizes available in January, though some producers can offer nothing on large rounds and flats before March.

"Faced by the possibility of pig iron allocations being dropped, some melters who have been forced to take iron at premium prices are said to be seeking to increase their future purchases from other furnaces selling at the ceiling. Applications for January iron probably will be filed as usual about Dec. 1, in absence of instructions to the contrary. With at least nine of ten new blast furnaces expected to be lighted before the end of the year supply probably will be ample for all emergency requirements and some broadening of supply for civilian needs may be possible.

"Pig iron production in October set a new high record, reflecting additional capacity in new stacks which have come into action. October output was 5,323,738 net tons, an increase of 8,108 tons over the previous high in August. To Nov. 1 this year aggregate has been 51,231,075 tons, compared with 49,665,163 tons in the corresponding period last year."

Craven Of FCC Contends Commission Exceeds Powers Granted To It By Congress

At Senate Committee Hearing Freedom Of Press Seen Violated If Radio Is Divorced From Newspaper Ownership

T. A. M. Craven, a member of the Federal Communications Commission, told the special House committee investigating the FCC on Nov. 24 that the agency was pervaded with "the doctrine of instituting social reforms through seizing powers not granted it."

Mr. Craven expressed this opinion in response to questions from Eugene L. Garey, counsel for the committee. Advices to this effect were contained in Associated Press accounts from Washington Nov. 24, which also had the following to say:

Mr. Garey asked whether he had observed any "earmarks" in the agency's policies of the "Communistic technique known as cessation of gradualism."

"That's a matter of opinion," Mr. Craven replied, but added that the Commission had "taken upon itself legislative acts and adopted policies not granted it by Congress."

Mr. Craven has frequently differed with a majority of the Commission.

"Such an attitude," Mr. Craven continued, "constitutes in a sense a trend toward cessation of gradualism which I interpret as a method by which you impose social reforms of your own choosing without consulting the chosen representatives of the people."

Mr. Craven expressed the belief that the FCC had gone beyond its powers, as defined by the Congressional act creating it, but said, nevertheless, that its present policies apparently had the sanction of the Supreme Court. A court majority, he observed, upheld FCC rulings involving broadcasting chains which, Mr. Craven said, permit the Commission, in effect, to regulate the composition of radio programs.

This decision, Mr. Craven said, "strikes at the very core of free radio in a free democratic country like ours."

But the real freedom of radio, he asserted, "is the freedom from fear of government reprisal" in the form of license controls.

Describing the Commission's present policies as "narrow, restrictive and discouraging," Mr. Craven said that what is needed are "reasonable regulations by reasonable men."

In the same advices it was stated that, testifying before the Senate Interstate Commerce Committee, Whitney N. Seymour, counsel for the newspaper-radio committee of publishers interested in radio, said the FCC would "strike directly at the freedom of the press" if it divorced all radio stations from newspaper ownership. It was likewise stated:

Mr. Seymour advocated legislation making it unlawful for the FCC to discriminate against any type of business in passing on applications for broadcasting licenses.

Other witnesses said the FCC—by putting all newspaper applications in a "suspended file"—has blocked for two years attempts of newspaper publishers to get into the radio business.

Mr. Seymour contended that any FCC order divorcing radio from newspaper ownership "would be a dangerous experiment upon and invasion of rights guaranteed by the first amendment to the Federal Constitution."

Federal Reserve Board Making Study Of Installment Buying And Charge Accounts

A survey to determine whether the restrictions on charge accounts and installment buying, should be eased or removed, is being conducted by the Federal Reserve Board, according to United Press advices from Washington on Nov. 21, which also had the following to say:

It is pointed out that since the regulations were invoked many other inflationary restraints have been applied, including increased taxes, war bond sales, price controls, rationing of consumers' goods and production curtailments.

There may be considerable opposition from retail merchants, many of whom would like to see the curbs continued. They have enabled them to tighten up on their charge accounts and curb "dead-beats."

Among those asking modifications is the American Industrial Bankers' Association with 215 members in 32 states. It adopted a resolution saying the regulation—known technically as Regulation W—had "served its purpose well." But it said the man-power situation, shortages of durable goods and other conditions resulting from the war have placed serious handicaps on industrial banking.

The North Carolina Bankers' Association asked bluntly that the curbs be removed immediately.

The Federal Reserve Board will study the issue thoroughly before acting, it was said.

The regulations were adopted in August, 1941, to offset inflationary tendencies. They require a downpayment of one-third on installment sales, with the balance to be paid in twelve months, and freeze charge accounts when bills due are not paid within a specified period.

Federal Reserve Banks have been directed to survey banks and bankers to ascertain their ideas. Meanwhile, a nation-wide association of bankers and one state bankers' association have adopted resolutions stating they believe the usefulness of the restriction has ended.

The American Bankers' Association has not gone on record, but many of its members feel the curbs have served their purpose.

Booz Concerned Over 'Climate' For Business In Post-War Period

In looking forward to post-war contraction and conversion of industry, business management envisages four primary problems, one of the most important of which is the extent to which Government will remain the partner of business in peacetime economy, Edwin G. Booz, President of the Association of Consulting Management Engineers, declared on Nov. 28.

In reporting that this was disclosed in an interview with Mr. Booz, held at the University Club in New York City, the New York "Times" of Nov. 29 further indicated his views as follows:

"Pointing out that in the development of the nation's war economy Government has "gotten into business with all of us, and for all practical purposes speaks with the authority of the senior partner," Mr. Booz asserted that business men would like to have an early expression of "the kind of a business climate they will have to operate in."

Before thorough planning can be done, Mr. Booz, who is also senior partner in Booz, Allen & Hamilton, stated that officials first must be told what is going to be done with surpluses, the manner in which materials are to be made available to manufacturers in the transition period and what products will be produced in the period after Germany's defeat. At the same time, he added, the "business climate" in great part depends upon present renegotiation policies.

"You can't run business without capital," Mr. Booz declared. "The Government is taking earnings of business away at such a rate that business is not being allowed to save capital to convert its plants back. If that trend continues as it is going now it will have serious effects on re-employment of the 11,000,000 men who are in the armed services."

The partnership of business and industry will have to be continued for some time, however, Mr. Booz indicated. In reconverting industry to a peacetime basis the War Production Board may have to ask industry to provide the Government with a list of products which it wants to manufacture, once industry has any open capacity.

"There is little doubt," he said, "that this is one of the most complex issues we face—establishment of an order in which plants will be allowed to produce their normal or new products as the materials and facilities become available. While an urgency exists to get products back into the civilian distributive set-up, some equitable method must be devised to give those plants which may remain in war production longer than others an equal chance in regaining their civilian markets.

"I believe the WPB may find it necessary to turn again to industry for information as to its open capacity, when WPB knows such is the case, and as to the number and types of products they want to manufacture. Totaling the ambitions of all plants and comparing them with available material the WPB will have to do what it did in war production, equitably allocate materials within the scope of manufacture which can be permitted. Once the great majority of industry is back on a peacetime basis all material controls should be abandoned."

Mr. Booz disclosed that the management engineers' association is currently cooperating with the Committee for Economic Development and is preparing an "outline of questions" which the CED will distribute to small business men, enabling them to study their own businesses in the light of post-war problems.

Pay On Sao Paulo 8s

City Bank Farmers Trust Co., New York, as special agent, is notifying holders of City of Sao Paulo (United States of Brazil) external 30 year 8% secured sinking fund gold bonds of 1922, due March 1, 1952, that funds have been remitted to City Bank Farmers Trust Co., who heve been instructed to apply to the payment of the coupons due Nov. 1, 1941, at the rate of 16.25% of the face amount of the coupons, amounting to $6.50 for each $40 coupon and $3.25 for each $20 coupon. The announcement points out that the coupons presented for payment, in accordance with the Presidential Decrees of the United States of Brazil, must be accompanied by a properly executed letter of transmittal wherein the couponholder agrees to accept such payment in full satisfaction and discharge of such coupons.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Nov. 30	119.58	110.34	118.20	115.43	110.70	98.57	102.96	113.12	115.43
29	119.65	110.52	118.40	115.82	110.88	98.57	103.13	113.31	115.82
27	119.69	110.52	118.40	115.63	115.88	98.73	102.96	113.31	115.82
26	119.72	110.52	118.40	115.63	110.88	98.73	102.96	113.31	115.82
25	STOCK EXCHANGE CLOSED.								
24	119.71	110.52	118.40	115.82	110.88	98.73	103.13	113.31	115.82
23	119.70	110.70	118.60	115.82	110.88	98.73	103.13	113.31	116.02
22	119.61	110.70	118.60	116.02	111.07	98.57	103.13	113.50	115.82
20	119.61	110.70	118.60	116.02	110.88	98.73	103.13	113.50	115.82
19	119.64	110.70	118.80	116.02	111.07	98.73	103.13	113.50	116.02
18	119.70	110.70	118.60	116.02	111.07	98.57	103.13	113.50	116.02
17	119.74	110.70	118.80	116.22	111.07	98.57	103.13	113.50	116.02
16	119.76	110.70	118.60	116.22	111.07	98.57	103.13	113.13	116.02
15	119.78	110.70	118.80	116.22	111.07	98.41	103.13	113.50	116.02
13	119.90	110.70	118.80	116.22	111.07	98.41	103.30	113.50	116.02
12	119.91	110.70	118.80	116.22	111.07	98.57	103.30	113.70	116.02
11	STOCK EXCHANGE CLOSED.								
10	119.95	110.70	118.80	116.22	111.07	98.57	103.13	113.50	116.22
9	119.92	110.70	118.80	116.22	111.07	98.41	103.13	113.50	116.02
8	119.96	110.70	118.80	116.22	111.07	98.57	103.13	113.50	116.22
6	120.02	111.07	119.00	116.61	111.25	98.73	103.30	113.70	116.61
5	119.99	111.07	119.00	116.61	111.25	98.73	103.30	113.70	116.61
4	120.02	110.88	119.00	116.61	111.07	98.73	103.30	113.70	116.61
3	120.07	111.07	119.20	116.61	111.07	99.04	103.30	113.70	116.80
2	STOCK EXCHANGE CLOSED								
1	120.21	111.07	119.20	116.61	111.25	99.04	103.47	113.70	116.80
Oct. 29	120.27	111.07	119.00	116.61	111.25	99.04	103.30	113.89	116.61
22	120.33	111.07	119.00	116.61	111.44	99.04	103.30	113.89	116.61
15	120.28	111.07	119.20	116.61	111.25	99.04	103.30	113.89	116.61
8	120.57	110.88	119.00	116.41	111.25	98.73	103.13	113.89	116.41
1	120.62	110.88	119.00	116.22	111.07	98.73	103.13	113.89	116.22
Sept. 24	120.55	111.07	119.00	116.41	111.25	98.88	103.30	113.89	116.41
17	120.55	111.07	119.20	116.61	111.07	98.73	103.13	113.70	116.61
10	120.56	111.07	119.20	116.61	111.25	98.88	103.13	113.89	116.80
3	120.30	111.25	119.20	116.80	111.62	98.73	103.30	113.89	117.00
Aug. 27	120.34	111.25	119.20	116.80	111.44	98.88	103.13	112.89	117.20
July 30	120.18	111.44	119.41	117.00	111.62	99.04	103.30	114.08	117.20
Jun 25	120.41	110.70	118.80	116.22	111.07	98.09	102.46	113.70	116.61
May 28	119.82	110.34	118.20	115.82	110.88	97.78	102.30	131.31	115.82
Apr. 30	118.36	109.79	118.00	115.43	110.34	97.00	101.31	113.12	115.63
Mar. 26	116.93	109.60	117.80	115.43	110.52	96.23	100.65	113.12	115.63
Feb 26	117.11	109.24	117.60	115.43	110.15	95.47	100.00	112.93	115.43
Jan. 29	117.04	108.70	117.60	115.04	109.79	94.56	99.04	112.56	115.43
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
High 1942	118.41	107.62	117.20	114.27	108.88	92.64	97.47	112.19	114.66
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
1 Year ago Nov. 30, 1942	116.78	107.27	116.80	113.89	108.88	91.91	96.69	111.81	114.46
2 Years ago Nov. 29, 1941	119.77	108.16	118.60	115.63	109.60	91.77	97.31	112.37	116.02

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate rate	Corporate by Ratings				Corporate by Groups		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Nov. 30	1.87	3.15	2.74	2.88	3.13	3.84	3.57	3.00	2.88
29	1.86	3.14	2.73	2.86	3.12	3.84	3.56	2.99	2.86
27	1.86	3.14	2.73	2.87	3.12	3.83	3.57	2.99	2.86
26	1.86	3.14	2.73	2.87	3.12	3.83	3.57	2.99	2.86
25	STOCK EXCHANGE CLOSED.								
24	1.86	3.14	2.73	2.86	3.12	3.83	3.56	2.99	2.86
23	1.86	3.13	2.72	2.86	3.12	3.83	3.56	2.99	2.85
22	1.87	3.13	2.72	2.85	3.11	3.84	3.56	2.98	2.86
20	1.87	3.13	2.72	2.85	3.12	3.83	3.56	2.98	2.86
19	1.87	3.13	2.71	2.85	3.11	3.83	3.56	2.98	2.85
18	1.86	3.13	2.72	2.85	3.11	3.84	3.56	2.98	2.85
17	1.86	3.13	2.71	2.84	3.11	3.84	3.56	2.98	2.85
16	1.86	3.13	2.72	2.84	3.11	3.84	3.56	2.98	2.85
15	1.85	3.13	2.71	2.84	3.11	3.85	3.56	2.98	2.85
13	1.84	3.13	2.71	2.84	3.11	3.85	3.55	2.98	2.85
12	1.84	3.13	2.71	2.84	3.11	3.84	3.55	2.97	2.85
11	STOCK EXCHANGE CLOSED.								
10	1.84	3.13	2.71	2.84	3.11	3.84	3.56	2.98	2.84
9	1.84	3.13	2.71	2.84	3.11	3.85	3.56	2.98	2.85
8	1.84	3.13	2.71	2.84	3.11	3.84	3.56	2.98	2.84
6	1.84	3.11	2.70	2.82	3.10	3.83	3.55	2.97	2.82
5	1.84	3.11	2.70	2.82	3.10	3.83	3.55	2.97	2.82
4	1.84	3.12	2.70	2.82	3.11	3.83	3.55	2.97	2.82
3	1.83	3.11	2.69	2.82	3.11	3.81	3.55	2.97	2.81
2	STOCK EXCHANGE CLOSED								
1	1.82	3.11	2.69	2.82	3.10	3.81	3.54	2.97	2.81
Oct. 29	1.82	3.11	2.70	2.82	3.10	381	3.56	2.96	2.82
22	1.81	3.11	2.70	2.82	3.09	3.81	3.55	2.96	2.82
15	1.82	3.11	2.69	2.82	3.10	3.81	3.55	2.96	2.82
8	1.80	3.12	2.70	2.83	3.10	3.83	3.56	2.96	2.83
1	1.80	3.12	2.70	2.84	3.11	3.83	3.56	2.96	2.84
Sept. 24	1.80	3.11	2.70	2.83	3.10	3.82	3.55	2.96	2.83
17	1.80	3.11	2.69	2.82	3.11	3.83	3.56	2.97	2.82
10	1.81	3.11	2.69	2.82	3.10	3.82	3.56	2.96	2.81
3	1.83	3.10	2.69	2.81	3.08	3.83	3.55	2.96	2.80
Aug. 27	1.83	3.10	2.69	2.81	3.09	3.82	3.56	2.96	2.79
July 30	1.84	3.09	2.68	2.80	3.08	3.81	3.55	2.95	2.79
Jun 25	1.82	3.13	2.71	2.84	3.11	3.87	3.60	2.97	2.82
May 28	1.88	3.15	2.74	2.86	3.12	3.89	3.61	2.99	2.86
Apr. 30	1.98	3.18	2.75	2.88	3.15	3.94	3.67	3.00	2.87
Mar. 26	2.08	3.19	2.76	2.88	3.14	3.99	3.71	3.00	2.87
Feb 26	2.06	3.21	2.77	2.88	3.16	4.04	3.75	3.01	2.88
Jan. 29	2.06	3.24	2.77	2.90	3.18	4.10	3.81	3.03	2.88
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
High 1942	2.14	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	1.93	3.30	2.79	2.94	3.23	4.23	3.91	3.05	2.92
1 Year ago Nov. 30, 1942	2.09	3.32	2.81	2.96	3.23	4.28	3.96	3.07	2.93
2 Years ago Nov. 29, 1941	1.86	3.27	2.72	2.87	3.19	4.29	3.92	3.04	2.85

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Oct. Department Store Sales In New York Federal Reserve District 1% Above Year Ago

The Federal Reserve Bank of New York announced on Nov. 17 that October sales of department stores in the Second (New York) Federal Reserve District increased 1% over a year ago. The combined sales for January through October are 6% higher than in the same period last year. Stocks of merchandise on hand in department stores at the end of October were 17% below October, 1942.

The apparel stores in the New York Reserve District reported a gain of 15% in net sales in October. Their stocks on hand at the close of the month were 4% above last year.

The following is the bank's tabulation:

DEPARTMENT STORE TRADE BY MAJOR LOCALITIES OCTOBER, 1943
Second Federal Reserve District

Department Stores—	Percentage changes from a year earlier: Net Sales Oct.	Net Sales Jan. thru Oct.	Stock on hand, Oct. 31, 1943
New York City	+ 2	+ 7	—20
Northern New York State	— 4	— 2	—21
*Newark	— 4	— 1	—24
Westchester and Fairfield Counties	—10	— 3	—15
Bridgeport	—14	— 6	—18
Lower Hudson River Valley	+ 3	+ 5	0
Poughkeepsie	+ 4	+ 7	—
Upper Hudson River Valley	— 9	— 2	— 1
Albany	— 9	— 5	—
Schenectady	— 8	+ 3	+ 2
Central New York State	+ 8	+11	— 8
Mohawk River Valley	+ 3	+11	—17
Utica	+10	+12	—
Syracuse	+10	+10	— 2
Northern New York State	— 7	+ 2	--
Southern New York State	+ 1	+10	+ 2
Binghamton	+ 6	+15	—
Elmira	— 6	— 3	—
*Western New York State	— 1	+ 9	— 7
Buffalo	— 2	+10	— 2
*Niagara Falls	+12	+28	— 3
*Rochester	+ 2	+ 6	—14
*All department stores	+ 1	+ 6	—17
*Apparel stores	+15	+20	+ 4

*Subject to revision, 26 shopping days, 1943; 27 shopping days, 1942.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS
Second Federal Reserve District
[1923-25 average = 100]

	1942 Oct.	1943 Aug.	1943 Sep.	1943 Oct.
Sales (average daily), unadjusted	130	95	127	137
Sales (average daily), seasonally adjusted	115	126	118	121
Stocks, unadjusted	*160	123	128	131
Stocks, seasonally adjusted	*148	127	123	119

*Revised.

Electric Output For Week Ended Nov. 27, 1943, Shows 16.9% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Nov. 27, 1943, was approximately 4,403,342,000 kwh., compared with 3,766,381,000 kwh. in the corresponding week last year, an increase of 16.9%. The output of the week ended Nov. 20, 1943, was 18.9% in excess of the similar period of 1942.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended Nov. 27	Nov. 20	Nov. 13	Nov. 6
New England	5.3	7.7	8.3	8.2
Middle Atlantic	18.1	20.5	19.0	18.1
Central Industrial	11.5	14.1	15.1	12.7
West Central	7.2	7.9	10.5	8.7
Southern States	18.5	19.9	20.3	20.4
Rocky Mountain	15.9	15.5	14.8	15.5
Pacific Coast	34.6	36.9	33.3	29.7
Total United States	16.9	18.9	18.7	17.3

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1943	1942	% Change 1943 over 1942	1941	1932	1929
Aug 7	4,240,638	3,637,070	+16.6	3,233,242	1,415,122	1,729,667
Aug 14	4,287,827	3,654,795	+17.3	3,238,160	1,431,910	1,733,110
Aug 21	4,264,825	3,673,717	+16.1	3,230,750	1,436,440	1,750,056
Aug 28	4,322,195	3,639,961	+18.7	3,261,149	1,464,700	1,761,594
Sep 4	4,350,511	3,672,921	+18.4	3,132,954	1,423,977	1,674,588
Sep 11	4,229,262	3,583,408	+18.0	3,322,346	1,476,442	1,806,259
Sep. 18	4,358,512	3,756,922	+16.0	3,273,375	1,490,863	1,792,131
Sep. 25	4,359,610	3,720,254	+17.2	3.273,376	1,499,459	1,777,854
Oct. 2	4,359,003	3,682,794	+18.4	3,330,582	1,506,219	1,819,276
Oct. 9	4,341,754	3,702,299	+17.3	3,355,440	1,507,503	1,806,403
Oct. 16	4,382,268	3,717,360	+17.9	3,313,596	1,528,145	1,798,633
Oct. 23	4,415,405	3,752,571	+17.7	3,340,768	1,533,028	1,824,160
Oct. 30	4,452,592	3,774,891	+18.0	3.380,488	1,525,410	1,815,749
Nov. 6	4,413,863	3,761,961	+17.3	3.368,690	1,520,730	1,798,164
Nov. 13	4,482,665	3,775,878	+18.7	3.347,893	1,531,584	1,793,584
Nov. 20	4,513,299	3,795,361	+18.9	3.247,938	1,475,268	1,818,169
Nov. 27	4.403,342	3,766,381	+16.9	3,339,364	1,510,337	1,718,002

Morgenthau Warns Advertisers They Face Biggest Selling Job In History

In Discussing Tour Of Battle Fronts, Says German Prisoners Count On Next Fuehrer To Win Next War

That advertisers are facing "the biggest selling job in history, with practically no precedent to go on," was the message conveyed to the Association of National Advertisers by Secretary of the Treasury Morgenthau in addressing the Association at a dinner meeting in New York City at the Hotel Commodore on Nov. 18, and he warned that "there is a good chance that letting down now can needlessly prolong the war for weeks and months." Thus reporting Mr. Morgenthau's remarks, the New York "Times" further indicated him as saying:

"Your job is barely begun. And the job is going to get more difficult every week, and every month, that the war wears on. Because we are going to get tired. Everybody is going to get tired. We are going to want peace and relief from the restrictions that war puts on what we do, and what we eat, and what we have.

"Unconditional surrender is a large order, and there may be a temptation to settle for less as the possibility of peace approaches. I hope you will remember that. I hope you will put your minds to doing something about it, and thus continue the patriotic record that some of you started back in those early days of defense."

Secretary Morgenthau in his address before the gathering, at which were present some 800 national advertisers, brought in a reference to what he had gleaned from his recent tour of the Mediterranean battle fronts (a reference to which appeared in our issue of Nov. 11, page 1931), and as to his talks with German prisoners on his trip to the fighting front in Italy, the Secretary said that they still believe strongly in Adolf Hitler and blame the failure of the Russian campaign on the German generals. From the "Times" we also quote:

"Then if you peruse the subject of their present leader, they may admit that he is not perfection—he will have to do until they can find another," Mr. Morgenthau continued. "And get this, gentlemen—they say their next Fuehrer will win the next great war. So here they are—these defeated prisoners—already planning another assault on civilization."

The "Times" further reported on the prospect of an early end of the war in Europe, Mr. Morgenthau said:

"No one in Washington can give me any concrete evidence that Germany is tottering on the brink of capitulation—and I have sought out practically every one who would have any reason to know. And I can tell you that on the Italian front the Nazi troops are not near cracking.

"It is always possible, of course, that the people on the Nazi home front will be unable to take the bad news from Russia, or the terrible destruction our bombs are raining upon them.

"But if the Nazi home front should crack that would be a windfall. In the meantime, we are only playing Hitler's game when we see peace just around the corner."

* * *

After reviewing his observations on his recent trip abroad and giving his opinion of the task ahead, he added:

"I do not want to underestimate however, the effects that the terrible defeats in Russia, or the destruction of Germany must have in the Nazi home front. That destruction must be fantastic. In Italy I saw what bombs can do. I saw the port of Naples lying in a mass of ruins. I saw the port of Palermo in Sicily battered so badly that one sizable ship lay high and dry on a wharf, blown completely out of the water. But General Patton assured me that Palermo was only 3 or 4% destroyed, Hamburg has been 70% destroyed, the Germans themselves admit, and several other Nazi cities have received even more destruction.

"Yet, it is conceivable that the Germans can't take it. It is possible that the same thing will happen that happened the last time. We may be awakened some morning by whistles and bells and paper boys selling extras.

"But it is also possible that we can waste a great deal of precious time thinking about that morning, and we can divert a great deal of our precious energy into making ready for it, and then find that it shows no sign of coming. And in the meantime, good American young men are losing their lives trying to end the war the hard way, because they have no choice except to do it that way, or not at all."

Reserves Decision

Decision on the petition of Charles Hughes & Co., Inc., New York, for a review of the Securities and Exchange Commission order revoking its broker-dealer registration, was reserved by the United States Court of Appeals.

The Commission, after a hearing, had found that the Hughes firm had wilfully violated the fraud provisions of the Securities Exchange Act of 1934, the Securities Act of 1933 and the SEC regulations, through the sales of unlisted securities at prices substantially in excess of prevailing over-the-counter market prices.

Moody's Daily Commodity Index

Tuesday, Nov. 23	244.7
Wednesday, Nov. 24	244.2
Thursday, Nov. 25	*
Friday, Nov. 26	243.6
Saturday, Nov. 27	244.2
Monday, Nov. 29	243.7
Tuesday, Nov. 30	244.4
Two weeks ago, Nov. 16	244.0
Month ago, Oct. 30	246.6
Year ago, Nov. 30	230.4
1942 High, Dec. 22	239.9
Low, Jan. 2	220.0
1943 High, April 1	249.8
Low, Jan. 2	240.2

*Holiday.

Trading On New York Exchanges

The Securities and Exchange Commission made public on Nov. 29 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Nov. 13, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Nov. 13 (in round-lot transactions) totaled 2,020,496 shares, which amount was 15.74% of the total transactions on the Exchange of 6,416,760 shares. This compares with member trading during the week ended Nov. 6 of 1,318,157 shares, or 15.09% of total trading of 4,366,820 shares. On the New York Curb Exchange, member trading during the week ended Nov. 13 amounted to 415,565 shares, or 15.32% of the total volume on that exchange of 1,355,955 shares; during the Nov. 6 week trading for the account of Curb members of 258,025 shares was 13.77% of total trading of 936,480 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED NOV. 13, 1943

	Total for week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	175,090	
‡Other sales	6,241,670	
Total sales	6,416,760	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	563,090	
Short sales	76,910	
‡Other sales	526,070	
Total sales	602,980	9.08
2. Other transactions initiated on the floor—		
Total purchases	247,200	
Short sales	28,800	
‡Other sales	274,670	
Total sales	303,470	4.29
3. Other transactions initiated off the floor—		
Total purchases	147,050	
Short sales	7,900	
‡Other sales	148,806	
Total sales	156,706	2.37
4. Total—		
Total purchases	957,340	
Short sales	113,610	
‡Other sales	949,546	
Total sales	1,063,156	15.74

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED NOV. 13, 1943

	Total for week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	9,305	
‡Other sales	1,346,650	
Total sales	1,355,955	
B. Round-Lot Transactions for the Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	128,350	
Short sales	6,500	
‡Other sales	121,520	
Total sales	128,020	9.45
2. Other transactions initiated on the floor—		
Total purchases	32,020	
Short sales	1,300	
‡Other sales	45,050	
Total sales	46,350	2.89
3. Other transactions initiated off the floor—		
Total purchases	47,905	
Short sales	300	
‡Other sales	32,620	
Total sales	32,920	2,98
4. Total—		
Total purchases	208,275	
Short sales	8,100	
‡Other sales	199,190	
Total sales	207,290	15.32
C. Odd-Lot Transactions for the Account of Specialists—		
Customers' short sales	25	
§Customers' other sales	39,424	
Total purchases	39,449	
Total sales	39,695	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

October Retail Prices Continue Unchanged, According To Fairchild Publications Index

For the second consecutive month the Fairchild Publications Retail Price Index is unchanged, remaining at 113.1 (Jan. 2=100). The index is the same as on Nov. 1, 1942. Starting with July 1, 1942 the index remained constant for eight consecutive months due to the effect of the General Maximum Price Regulation. The index is 63.0% above the May, 1933, low, and 27.2% above the 1939 pre-war period. Under date of Nov. 16, the Fairchild announcement further said:

"The five major groups comprising the index remained unchanged during October. This is the first time since July that not one has shown any movement. However, women's apparel and infants' wear were 0.4% and 0.1% respectively above the previous year, with the other groups remaining unchanged. Compared with the period immediately preceding the outbreak of the European war, piece goods advanced the most, 33.6%, and infants' wear the least, 12.7%.

"Furs were the only individual commodity to record any change during the month, having advanced 0.1%. The fur index has been increasing steadily since April 1, 1943. It is now 6.0% above Nov. 1, 1942. Only one commodity decreased since 1942; women's hose showing a decline of 5.2%. Men's hose, shirts and neckwear and clothing, infants' socks, and underwear, and floor coverings have all increased just 0.1% over Nov. 1, 1942. Furs still show the largest advance over the 1939 pre-war period and women's shoes the smallest.

"The index continues to fluctuate slightly and the indications are that it will remain comparatively stable in the near future, according to A. W. Zelomek, economist under whose supervision the index is compiled. Any further fluctuations will continue to be minor."

THE FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX

JAN. 3, 1931=100

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	May 1, 1933	Nov. 1, 1942	Aug. 1, 1943	Sep. 1, 1943	Oct. 1, 1943	Nov. 1, 1943
Composite Index	69.4	113.1	113.0	113.1	113.1	113.1
Piece Goods	65.1	112.2	112.2	112.2	112.2	112.2
Men's Apparel	70.7	105.3	105.3	105.3	105.3	105.3
Women's Apparel	71.8	112.6	112.7	113.0	113.1	113.1
Infants' Wear	76.4	108.0	108.1	108.1	108.1	108.1
Home Furnishings	70.2	115.5	115.5	115.5	115.5	115.5
Piece Goods						
Silks	57.4	84.7	84.7	84.7	84.7	84.7
Woolens	69.2	108.0	108.0	108.0	108.0	108.0
Cotton Wash Goods	68.6	143.8	143.8	143.8	143.8	143.8
Domestics						
Sheets	65.0	126.8	126.8	126.8	126.8	126.8
Blankets & Comfortables	72.9	135.0	135.0	135.0	135.0	135.0
Women's Apparel						
Hosiery	59.2	94.1	89.3	89.2	89.2	89.2
Aprons & House Dresses	75.5	140.5	140.5	140.5	140.5	140.5
Corsets & Brassieres	83.6	111.2	111.2	111.2	111.2	111.2
Furs	66.8	134.6	140.0	141.7	142.6	142.7
Underwear	69.2	102.7	102.7	102.7	102.7	102.7
Shoes	76.5	92.4	92.4	92.4	92.4	92.4
Men's Apparel						
Hosiery	64.9	108.0	108.1	108.1	108.1	108.1
Underwear	69.6	114.8	114.8	114.8	114.8	114.8
Shirts & Neckwear	74.3	99.0	99.1	99.1	99.1	99.1
Hats & Caps	69.7	94.3	94.3	94.3	94.3	94.3
Clothing incl. Overalls	70.1	105.9	106.0	106.0	106.0	106.0
Shoes	76.3	109.6	109.6	109.6	109.6	109.6
Infant's Wear						
Socks	74.0	114.5	114.6	114.6	114.6	114.6
Underwear	74.3	103.6	103.7	103.7	103.7	103.7
Shoes	80.9	106.0	106.0	106.0	106.0	106.0
Furniture	69.4	129.2	129.2	129.2	129.2	129.2
Floor Coverings	79.9	146.8	146.9	146.9	146.9	146.9
Radios	50.6	66.8	66.8	66.8	66.8	66.8
Luggage	60.1	94.7	95.7	95.7	95.7	95.7
Electrical Household Appliances	72.5	93.5	93.5	93.5	93.5	93.5
China	81.5	110.6	110.6	110.6	110.6	110.6

NOTE—Composite Index is a weighted aggregate. Major group indexes are arithmetic average of subgroups.

Bankers' Dollar Acceptances Outstanding On Oct. 30 Decline To $114,883,000

The volume of bankers' dollar acceptances outstanding on Oct. 30 amounted to $114,883,000, a decrease of $2,133,000 from the Sept. 30 total, according to the monthly acceptance survey issued Nov. 12 by the Federal Reserve Bank of New York. As compared with a year ago, the Oct. 30 total represents a decline of $3,698,000.

In the month-to-month comparison, only credits for exports and domestic shipments were higher, while in the year-to-year analysis only credits for imports and exports were above Oct. 31, 1942.

The Reserve Bank's report follows:

BANKERS' DOLLAR ACCEPTANCES OUTSTANDING—UNITED STATES BY FEDERAL RESERVE DISTRICTS

Federal Reserve District—	Oct. 30, '43	Sept. 30, '43	Oct. 31, '42
1 Boston	$20,114,000	$19,338,000	$19,885,000
2 New York	65,254,000	68,719,000	71,430,000
3 Philadelphia	5,208,000	5,398,000	7,233,000
4 Cleveland	2,019,000	1,780,000	2,853,000
5 Richmond	2,014,000	1,934,000	1,413,000
6 Atlanta	3,345,000	2,848,000	1,264,000
7 Chicago	5,982,000	6,542,000	4,864,000
8 St. Louis	837,000	760,000	261,000
9 Minneapolis	174,000	281,000	67,000
10 Kansas City	------	------	------
11 Dallas	443,000	201,000	143,000
12 San Francisco	9,493,000	9,215,000	9,168,000
Grand Total	$114,883,000	$117,016,000	$118,581,000

Decrease for month $2,133,000 Decrease for year $3,698,000

ACCORDING TO NATURE OF CREDIT

	Oct. 30, '43	Sept. 30, '43	Oct. 31, '42
Imports	$56,871,000	$58,868,000	$60,266,000
Exports	9,290,000	7,336,000	5,903,000
Domestic shipments	7,593,000	6,922,000	12,553,000
Domestic warehouse credits	21,350,000	23,103,000	27,737,000
Dollar exchange	173,000	188,000	263,000
Based on goods stored in or shipped between foreign countries	9,606,000	10,599,000	11,859,000

BILLS HELD BY ACCEPTING BANKS

Own bills $48,385,000 Bills of others $39,200,000 Total $87,585,000

Increase for month $4,034,000

CURRENT MARKET RATES ON PRIME BANKERS ACCEPTANCES NOV. 12, 1943

Days	Dealers' Buying Rates	Dealers' Selling Rates
30	½	7/16
60	½	7/16
90	½	7/16
120	9/16	½
150	⅝	9/16
180	⅝	9/16

The following table, compiled by us, furnishes a record of the volume of bankers' acceptances outstanding at the close of each month since Nov. 30, 1940:

1940—	$	1941—	$	1942—	$
Nov. 30	196,683,000	Nov. 29	193,590,000	Nov. 30	116,067,000
Dec. 31	208,659,000	Dec. 31	194,220,000	Dec. 31	118,039,000
1941—		1942—		1943—	
Jan. 31	212,777,000	Jan. 31	197,278,000	Jan. 30	119,682,000
Feb. 28	211,865,000	Feb. 28	190,010,000	Feb. 27	127,062,000
Mar. 31	217,312,000	Mar. 31	182,675,000	Mar. 31	129,818,000
Apr. 30	219,561,000	Apr. 30	177,293,000	Apr. 30	128,350,000
May 31	215,005,000	May 29	173,906,000	May 29	135,815,000
June 30	212,932,000	June 30	162,849,000	June 30	139,846,000
July 31	209,899,000	July 31	156,302,000	July 31	138,692,000
Aug. 30	197,472,000	Aug. 31	139,304,000	Aug. 31	130,244,000
Sept. 30	176,801,000	Sept. 30	123,494,000	Sept. 30	117,016,000
Oct. 31	184,806,000	Oct. 31	118,581,000	Oct. 30	114,883,000

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Nov. 29 a summary for the week ended Nov. 20 of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Nov. 20, 1943

	Total for Week
Odd-Lot Sales by Dealers:	
(Customers' purchases)	
Number of orders	19,464
Number of shares	489,748
Dollar value	19,969,485
Odd-Lot Purchases by Dealers—	
(Customers' Sales)	
Number of Orders:	
Customers' short sales	388
*Customers' other sales	15,936
Customers' total sales	16,324
Number of Shares:	
Customers' short sales	11,626
*Customers' other sales	423,370
Customers' total sales	434,996
Dollar value	16,008,832
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	30
†Other sales	90,810
Total sales	90.840
Round-Lot Purchases by Dealers—	
Number of shares	164,630

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Treasury Refunds Ctfs.

Secretary of the Treasury Morgenthau announced on Nov. 22 an offering, through the Federal Reserve Banks, of ⅞% Treasury Certificates of Indebtedness of Series G-1944, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series E-1943, maturing Dec. 1, 1943. Cash subscriptions will not be received. The subscription books closed yesterday (Nov. 24).

The Treasury statement further stated:

"The certificates now offered will be dated Dec. 1, 1943, and will bear interest from that date at the rate of ⅞% per annum, payable semi-annually on June 1 and Dec. 1, 1944. They will mature Dec. 1, 1944. They will be issued in bearer form only, with two interest coupons attached, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

"Pursuant to the provisions of the Public Debt Act of 1941, interest upon the certificates now offered shall not have any exemption, as such, under Federal tax acts now or hereafter enacted.

"Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington, and should be accompanied by a like face amount of the maturing certificates. Subject to the usual reservations, all subscriptions will be allotted in full.

"There are now outstanding $3,799,736,000 of the Series E-1943 certificates."

Healey To Head OWI Div.

George W. Healy Jr., Managing Editor of the New Orleans "Times-Picayune", has been selected to succeed Palmer Hoyt as Director of Domestic Operations of the Office of War Information and is scheduled to assume the post soon after Jan. 1. Mr. Hoyt, who has served as domestic head of the OWI since June, has announced his intention of returning to his position as publisher of the Portland "Oregonian".

Mr. Healy is Chairman of the Associated Press Managing Editors Association.

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Nov. 20, 1943, the second week of the Government's wage contract with the coal miners, was 12,700,000 net tons, a figure exceeded but once in the current year. This compares wih 11,270,000 tons produced in the preceding week and 11,721,000 tons in the corresponding week of last year. Production for the current year to date was 0.2% below that for the same period in 1942.

The U. S. Bureau of Mines estimated that the total output of Pensylvania anthracite for the week ended Nov. 20, 1943 was 1,207,000 tons, an increase of 123,000 tons (11.3%) over the preceding week. When compared with the production in the corresponding week of 1942 there was an increase of 42,000 tons, or 3.6%. The calendar year to date shows a decrease of 1.1% when compared with the same period of 1942.

The Bureau of Mines also reported that the estimated output of by-product coke in the United States for the week ended Nov. 20, 1943, showed an increase of 58,300 tons when compared with the production for the week ended Nov. 13, 1943. The quantity of coke from beehive ovens increased 24,700 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL
(In Net Tons—000 Omitted.)

	Week Ended			January 1 to Date		
Bituminous coal and lignite—	Nov. 20, 1943	Nov. 13, 1943	Nov. 21, 1942	*Nov. 20, 1943	Nov. 21, 1942	Nov. 20, 1937
Total, incl. mine fuel	12,700	11,270	11,721	518,570	517,484	397,625
Daily average	2,117	†1,910	1,954	1,874	1,894	1,457

*Subject to current adjustment. †Average based on 5.9. Armistice Day, Nov. 11, weighted as 0.9 of a normal working day.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Cal. Year to Date		
Penn. anthracite—	§Nov. 20, 1943	¶Nov. 13, 1943	Nov. 21, 1942	Nov. 20, 1943	Nov. 21, 1942	Nov. 23, 1929
*Total incl. coll. fuel	1,207,000	1,084,000	1,165,000	53,676,000	54,300,000	65,063,000
†Commercial production	1,159,000	1,041,000	1,118,000	51,528,000	52,128,000	60,378,000
By-product coke—						
United States total	1,231,900	1,173,600	1,213,800	56,274,200	55,350,600	‡
Beehive coke—						
United States total	170,500	145,800	170,400	7,050,700	7,408,200	6,011,700

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES
(In Thousands of Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended					Nov. average
State—	Nov. 13, 1943	Nov. 6, 1943	Nov. 14, 1942	Nov. 15, 1941	Nov. 13, 1937	¶1923
Alabama	349	70	333	310	240	409
Alaska	5	5	6	6	2	**
Arkansas and Oklahoma	55	40	90	96	72	100
Colorado	145	43	174	164	152	236
Georgia and North Carolina	1	1	1	1	††	**
Illinois	1,440	348	1,227	1,164	1,107	1,571
Indiana	470	102	524	512	372	536
Iowa	41	22	67	75	76	128
Kansas and Missouri	199	138	172	162	138	175
Kentucky—Eastern	925	112	976	940	860	724
Kentucky—Western	319	165	309	261	188	218
Maryland	32	3	32	39	33	35
Michigan	2	3	7	7	12	26
Montana (bituminous and lignite)	113	95	94	90	70	83
New Mexico	39	11	32	27	29	62
North and South Dakota (lignite)	73	70	106	103	62	**35
Ohio	628	195	672	705	538	764
Pennsylvania (bituminous)	2,410	744	2,556	2,869	2,017	2,993
Tennessee	132	17	148	155	125	117
Texas (bituminous and lignite)	5	5	7	8	17	29
Utah	122	46	118	83	81	112
Virginia	390	72	398	432	280	217
Washington	25	26	37	42	38	72
*West Virginia—Southern	2,193	339	2,260	2,375	1,824	1,271
†West Virginia—Northern	997	256	909	887	572	776
Wyoming	159	66	197	152	127	184
‡Other Western States	1	1	1	1	††	**5
Total bituminous and lignite	11,270	2,995	11,453	11,666	9,032	10,878
§Pennsylvania anthracite	1,084	146	1,181	1,105	1,002	1,896
Total all coal	12,354	3,141	12,634	12,771	10,034	12,774

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "Other Western States." ††Less than 1,000 tons.

Wholesale Commodity Index Declines 0.2% During Week Ended Nov. 23, Says Labor Dept.

The U. S. Department of Labor, announced on Nov. 25 that commodity prices in primary markets dropped 0.2% during the week ended Nov. 20 to the lowest level since February. Continued declines in agricultural products, particularly livestock, poultry, and eggs, largely accounted for the decrease. At 102.6% of the 1926 average, the Bureau of Labor Statistics' all-commodity index is 0.3% lower than at this time last month and 2½% higher than for the corresponding week of last year.

The Department's announcement further stated:

"Farm Products and Foods—Led by a decline of 3.3% for livestock and poultry, average prices for farm products fell 0.7% during the week to the lowest point in nearly 9 monhts. Lower prices were reported for cattle, hogs, sheep, and live poultry in the Chicago market. In addition, eggs declined nearly 2% and prices were also lower for onions. Grains advanced 0.7% with higher prices reported for oats, rye and wheat. Cotton and wool prices also went up and potatoes in most markets, except Boston, were higher.

"Average prices for foods in primary markets rose 0.1% as a result of a sharp upturn in prices for fresh fruits and vegetables. Higher prices were also reported for oatmeal and for rye flour.

"Industrial Commodities—The indexes for all industrial commodity groups remained unchanged at last week's level. Minor increases occurred in prices for rosin, sand and chip board. Quotations for turpentine declined."

The following notation is made:

During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will atempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following table shows index numbers for the principal groups of commodities for the past 3 weeks, for Oct. 23, 1943 and Nov. 21, 1942 and the percentage changes from a week ago, a month ago, and a year ago:

(1926=100)

						Percentage changes to Nov. 20, 1943 from—		
Commodity groups—	11-20 1943	11-13 1943	11-6 1943	10-23 1943	11-21 1942	11-13 1943	10-23 1943	11-21 1942
All commodities	*102.6	*102.8	*102.9	*102.9	100.1	—0.2	—0.3	+ 2.5
Farm products	121.2	122.1	122.8	122.7	110.9	—0.7	—1.2	+ 9.3
Foods	105.6	105.5	105.7	104.8	103.3	+0.1	+0.8	+ 2.2
Hides and leather products	118.4	118.4	118.4	118.4	118.4	0	0	0
Textile products	97.2	97.2	97.2	97.1	96.6	0	+0.1	+ 0.6
Fuel and lighting materials	81.6	81.6	81.6	81.8	79.7	0	—0.2	+ 2.4
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	113.0	113.0	113.0	112.6	110.2	0	+0.4	+ 2.5
Chemicals and allied products	100.4	100.4	100.4	100.3	99.5	0	+0.1	+ 0.9
Housefurnishing goods	104.2	104.2	104.2	104.2	104.1	0	0	+ 0.1
Miscellaneous commodities	93.0	93.0	92.9	92.9	89.9	0	+0.1	+ 3.4
Raw materials	111.3	111.7	112.1	112.1	103.8	—0.4	—0.7	+ 7.2
Semimanufactured articles	92.9	92.9	92.9	92.8	92.5	0	+0.1	+ 0.4
Manufactured products	*100.3	*100.3	*100.3	*100.3	99.7	0	0	+ 0.6
All commodities other than farm products	*98.6	*98.6	*98.6	*98.6	97.8	0	0	+ 0.8
All commodities other than farm products and foods	*97.5	*97.5	*97.5	*97.5	96.1	0	0	+ 1.5

*Preliminary.

Civil Engineering Construction $36,523,000 For Holiday Week

Civil engineering construction volume in continental United States for the short week due to the Thanksgiving Day holiday totals $36,523,000. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 45% below the total for the corresponding 1942 week, and compares with $68,931,000 reported to "Engineering News-Record" for the preceding week. The report, made public on Nov. 25 added:

Public construction is 38% lower than in the week last year as both State and municipal work and Federal volume report decreases. Private construction declines 85% from a year ago.

The current week's volume brings 1943 construction to $2,885,384,000, an average of $61,391,000 for each of the 47 weeks of the period. On the weekly average basis, 1943 construction is 67% below the $8,932,207,000 for the 48-week 1942 period. Private construction, $450,099,000, is 15% under last year, and public construction, $2,435,285,000, is down 70% when adjusted for the difference in the number of weeks.

Civil engineering construction volume for the 1942 week, last week, and the current week are:

	Nov. 26, 1942 (four days)	Nov. 18, 1943 (five days)	Nov. 25, 1943 (four days)
Total U. S. construction	$65,929,000	$63,931,000	$36,523,000
Private construction	8,689,000	39,906,000	1,294,000
Public construction	57,240,000	29,025,000	35,229,000
State and municipal	3,733,000	1,599,000	1,592,000
Federal	53,507,000	27,426,000	83,637,000

In the classified construction groups, gains over the 1942 week are in water works, bridges and earthwork and drainage. Increases over the preceding week are in water works, bridges and public buildings. Subtotals for the week in each class of construction are: water works, $499,000; sewerage, $672,000; bridges, $177,000; industrial buildings, $330,000; commercial building and large-scale private housing, $964,000; public buildings, $27,805,000; earthwork and drainage, $383,000; streets and roads, $818,000, and unclassified construction, $4,875,000.

New capital for construction purposes for the week totals $7,005,000. It is made up of $4,000,000 in corporate security issues and $3,005,000 in State and municipal bond sales. New construction financing for the 47 weeks of 1943, $3,065,104,000, is 69% below the $10,204,255,000 reported for the 48-week period in 1942.

Industrial Activity Maintained Record Level In October, Says Federal Reserve Board

The Board of Governors of the Federal Reserve System announced on Nov. 26 that industrial activity was maintained in record volume in October and the early part of November. Value of department store sales continued at an exceptionally high level.

The Board's summary of general business and financial conditions follows:

Industrial Production

"The total volume of industrial production continued to increase slightly in October and the Board's seasonally adjusted index was at 245% of the 1935-39 average, as compared with 240 in July and 227 in January. War production in the machinery and transportation equipment industries showed a further rise, reflecting largely a new high level of production of aircraft, aircraft engines, and parts. The total number of planes accepted during the month was 8,362, or 11% more than the average in the third quarter. Deliveries of cargo vessels from merchant shipyards continued at an annual rate of 20,000,000 deadweight tons.

"Steel mills operated during October at the highest monthly rate during the war period. Production of nonferrous metals also continued to rise. Announcement of permission to use aluminum in additional types of war products and some essential industrial products followed rapidly increasing output of this metal. Lumber production declined somewhat more than usual at this season and the prospective supply situation remains critical notwithstanding reduced demand for lumber for building purposes. Output of stone, clay, and glass products as a whole showed little change and was at about the level of a year ago. Cement production in October was down 40% from last year but production of other stone, clay, and glass products, like glass containers and asbestos, and abrasive products, was considerably higher than last year.

"Output of most nondurable goods showed little change from September to October. Food manufacturing as a whole continued in large volume, allowing for seasonal changes, although butter and cheese production declined. Output of butter was 11% below last year in October and declined further in the early part of November. Meatpacking, however, was at an exceptionally high level in October and continued to increase sharply in the first three weeks of November. There was also a rise in production of wheat flour and other manufactured foods in October. Output of textile and leather products remained at the somewhat reduced rate of recent months, while production of rubber products and industrial chemicals increased. Coal production declined 6% in October and dropped sharply further during the first week of November, but increased in the middle of November.

"The value of construction contracts awarded in October, according to reports of the F. W. Dodge Corp., continued at the low level of other recent months. Total awards this year have been 60% smaller than in the corresponding period of 1942, when they were at the highest level of the war period.

Distribution

"Department store sales in October and the first half of November were 10% larger in dollar volume than in the same period last year, and, allowing for seasonal changes, sales were somewhat higher than in the third quarter of this year. Total consumer expenditures for commodities and services in the third quarter were at about the peak level prevailing in the first half of this year and were substantially larger than a year ago.

"Carloadings of railway freight in October were slightly less than in September, reflecting chiefly declines in shipments of coal and ore. Loadings of grain increased sharply to a level 20% greater than in October, 1942, and livestock shipments were the highest in recent years.

Commodity Prices

"Grain prices advanced in the early part of November, while prices of livestock declined as livestock marketings expanded sharply. Prices of certain industrial raw materials, such as cotton, wool, and nonferrous metal scrap, have also declined somewhat since the middle of October reflecting larger supplies and uncertainties as to the extent of demands for these materials in war production.

"The total cost of living, which had declined 1.4% during the summer, according to the Bureau of Labor Statistics, rose .8% from mid-August to mid-October. There were increases in prices of food, clothing, and a number of miscellaneous items.

Bank Credit

"The average level of excess reserves at all member banks was around $1,100,000,000 in mid-November reflecting some decline from the comparable October period. During the four weeks ending Nov. 17 reserve funds were supplied to member banks by an increase of over $900,000,000 in the Government security portfolio of the Reserve Banks; increased holdings consisted largely of bills purchased under option and in part of certificates. The effect of these security purchases on excess reserves was more than offset, however, by a currency demand of $540,000,000 and a continued increase in required reserves as Treasury disbursements transferred funds from reserve-exempt war loan accounts to private deposits.

"Following substantial bank purchases of special Treasury offerings in mid-October, Government security holdings at reporting member banks in 101 leading cities declined somewhat over the following month. The principal decrease was in holdings of bills at banks outside New York. Commercial loans while decreasing during the past two weeks, showed a net gain for the four week period, while loans on securities, which rose to a high level during the Third War Loan Drive, declined substantially."

Daily Average Crude Oil Production For Week Ended Nov. 20, 1943 Declined 22,050 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Nov. 20, 1943 was 4,414,400 barrels, a decrease of 22,050 barrels from the preceding week. It was, however, 502,000 barrels per day higher than in the corresponding week of last year, and exceeded the daily average figure recommended by the Petroleum Administration for War for the month of November, 1943, by 37,700 barrels. Daily production for the four weeks ended Nov. 20, 1943, averaged 4,405,750 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,192,000 barrels of crude oil daily and produced 12,488,000 barrels of gasoline; 1,380,000 barrels of kerosine; 4,643,000 barrels of distillate fuel oil, and 8,797,000 barrels of residual fuel oil during the week ended Nov. 20, 1943; and had in storage at the end of that week 68,996,000 barrels of gasoline; 1,492,000 barrels of kerosine; 45,772,000 barrels of distillate fuel, and 62,662,000 barrels of residual fuel oils. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations November	*State Allowables Begin. Nov. 1	Actual Production Week Ended Nov. 20, 1943	Change from Previous Week	4 Weeks Ended Nov. 20, 1943	Week Ended Nov. 21, 1942
Oklahoma	318,000	325,000	†326,650	— 1,050	328,550	363,300
Kansas	285,000	274,800	†281,350	— 7,550	271,850	311,550
Nebraska	1,600	----	†1,700	----	1,700	3,250
Panhandle Texas			85,500	----	86,150	89,800
North Texas			141,900	----	414,000	137,600
West Texas			359,750	----	358,300	212,500
East Central Texas			137,950	----	137,300	95,600
East Texas			376,400	----	374,450	354,800
Southwest Texas			298,100	----	295,550	173,250
Coastal Texas			524,600	----	523,300	312,900
Total Texas	1,881,000	‡1,905,471	1,924,200	----	1,916,050	1,376,450
North Louisiana			78,750	+ 100	78,950	96,700
Coastal Louisiana			272,200	----	273,900	228,700
Total Louisiana	353,700	375,700	350,950	+ 100	352,850	325,400
Arkansas	76,900	77,891	78,350	— 200	78,500	74,000
Mississippi	49,000		46,800	— 5,700	49,550	64,500
Illinois	205,000		215,250	— 250	218,400	264,100
Indiana	14,000		12,500	— 650	13,400	16,850
Eastern— (Not incl. Ill., Ind. and Ky.)	78,500		71,100	+ 100	72,450	78,850
Kentucky	24,500		23,350	+ 1,000	24,000	15,300
Michigan	56,000		50,100	—10.500	53,650	61,050
Wyoming	98,000		100,850	— 100	99,550	92,450
Montana	23,000		21,350	----	21,350	22,650
Colorado	7,000		7,450	+ 150	7,300	6,200
New Mexico	110,500	110,500	112,950	+ 400	112,650	95,800
Total East of Calif.	3,581,700		3,624,900	—24,250	3,621,800	3,171,700
California	795,000	§795,000	789,500	+ 2,200	783,950	740,700
Total United States	4,376,700		4,414,400	—22,050	4,405,750	3,912,400

*P.A.W. recommendations and state allowables, as shown above, represent the production of Crude Oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m., Nov. 18, 1943.

‡This is the net basic allowable as of Nov. 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 3 to 8 days, the entire state was ordered shut down for 8 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 8 days shut-down time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED NOV. 20, 1943

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,444	88.7	2,164	88.5	6,012	31,058	23,022	18,560
Appalachian—								
District No. 1	130	83.9	94	72.3	288	1,538	963	177
District No. 2	47	87.2	49	104.3	124	734	124	146
Ind., Ill., Ky.	824	85.2	737	89.4	2,591	13,336	6,639	2,936
Okla., Kans., Mo.	416	80.1	351	84.4	1.275	6,788	2,344	1,187
Rocky Mountain—								
District No. 3	8	26.9	9	112.5	33	66	22	33
District No. 4	141	58.3	92	65.2	362	1,131	440	714
California	817	89.9	696	85.2	1,803	14,345	12,218	38,909
Tot. U. S. B. of M. basis Nov. 20, 1943	4,827	86.4	4,192	86.9	12,488	†68,996	45,772	62,662
Tot. U. S. B. of M. absis Nov. 13, 1943	4,827	86.4	4,134	85.6	12,223	¶68,610	**45,518	62,647
U. S. Bur. of Mines basis Nov. 21, 1942			3,731		11,482	74,745	50,085	77,796

*At the request of the Petroleum Administration for War. †Finished, 58,901,000 barrels; unfinished, 10,095,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,380,000 barrels of kerosine, 4,643,000 barrels of gas oil and distillate fuel oil and 8,797,000 barrels of residual fuel oil produced during the week ended Nov. 20, 1943, which compares with 1,327,000 barrels, 4,633,000 barrels and 8,103,000 barrels, respectively, in the preceding week and 1,344,000 barrels, 4,098,000 barrels and 7,306,000 barrels, respectively, in the week ended Nov. 21, 1942. ¶Unfinished gasoline stocks revised downward by 116,000 barrels in California. **On new basis in California due to inclusion of 202,000 barrels not previously reported.

Notes—Stocks of kerosine at Nov. 20, 1943 amounted to 11,492,000 barrels, as against 11,630,000 barrels a week earlier and 12,635,000 barrels a year before.

District No. 1 inventory indics are: Gasoline, 39.5%; kerosine, 52.3%; gas oil and distillate fuel, 64.2%, and residual fuel oil, 76.3% of normal.

National Fertilizer Association Commodity Price Average Unchanged

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Nov. 29, registered 135.0 in the week ending Nov. 27, the same as in the preceding week. A month ago it stood at 135.4 and a year ago at 130.6, based on the 1935-1939 average as 100. The Association's report went on to say:

Although there was no change in the general level of the all-commodity price index, there were various group changes. The foods group advanced fractionally with higher quotations for potatoes and eggs. The livestock and grains groups moved into higher ground, but the lower prices for cotton were sufficient to counterbalance this and to cause the farm products group to remain at the same level as the preceding week. The continued decline in cotton reflects the uncertainty with which traders regard recent favorable war developments and the fear that sudden peace will mean wholesale contract cancellations. Cotton has reached a new low since the period of Dec. 5, 1942, causing the textiles group to reach a new low for the period since Jan. 2 of this year. All other groups remained unchanged.

During the week 10 price series advanced and 5 declined; in the preceding week there were 11 advances and 5 declines; and in the second preceding week there were 6 advances and 9 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Nov. 27, 1943	Preceding Week Nov. 20, 1943	Month Ago Oct. 30, 1943	Year Ago Nov. 28, 1942
25.3	Foods	140.8	140.6	139.8	134.1
	Fats and Oils	145.6	145.6	146.1	147.0
	Cottonseed Oil	159.6	159.6	161.3	160.0
23.0	Farm Products	152.3	152.3	154.9	142.1
	Cotton	185.4	188.9	192.2	192.5
	Grains	161.0	160.5	154.9	117.7
	Livestock	144.2	143.5	148.7	141.2
17.3	Fuels	122.8	122.8	122.8	119.3
10.8	Miscellaneous commodities	131.4	131.4	131.4	128.4
8.2	Textiles	149.7	150.2	150.7	148.4
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.4	152.4	152.5	151.3
1.3	Chemicals and drugs	127.7	127.7	127.7	127.6
.3	Fertilizer materials	117.7	117.7	117.7	117.5
.3	Fertilizers	119.8	119.8	119.8	115.3
.3	Farm machinery	104.2	104.2	104.2	104.1
100.0	All groups combined	135.0	135.0	135.4	130.6

*Indexes on 1926-1928 base were: Nov. 27, 1943, 105.2; Nov. 20, 105.2; and Nov. 28, 1942, 101.7.

Non-Ferrous Metals—Cutback In War Demands For Brass Seen—Quicksilver Price Declines

Editor's Note—At the direction of the Office of Censorship certain production and shipment figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of Nov. 25 stated "Production schedules for various war materials are being cut back, in some instances sharply, which tends to create an air of uncertainty in the market for major non-ferrous metals. Brass production is to be reduced after the turn of the year. Work on a third aluminum fabricating plant was discontinued during the last week. Secondary aluminum ingot will be stockpiled by MRC to maintain production of grades still on the active list. Quicksilver was available at lower prices for nearby and forward shipment, notwithstanding a proposed reduction in buying for next year of 30% The supply situation in platinum remains tight." The publication further went on to say in part:

Copper

Interest in copper centered largely in WPB plans that call for a fairly large reduction in the output of brass fabricating plants now on war work. Production of brass for the war program is to be curtailed beginning January. Whether all excess copper will be stockpiled or at least some of it released for essential civilian needs is not yet known. The answer to this problem rests to a great extent in manpower requirements.

Lead

Allotments of foreign lead to complete December requirements of consumers were taken care of at the meeting held in New York on Nov. 22. Those who asked for foreign lead obtained metal at the ratio of two-thirds common to one-third corroding, which was better than anticipated.

Sales of common lead for the week were about 48% of those in the previous week. The decline in volume was normal.

Zinc

December allocations of zinc are scheduled to come through before the end of the current week. The desire to hold down inventories, together with some uncertaintly about the government's brass production program, should result in a smaller movement of zinc to consumers in the last month of the year, trade authorities hold. With the stockpile growing, the industry hopes that larger tonnages of zinc will be released before long for civilian consumption. There were no price developments in zinc last week.

Aluminum

Restrictions on the use of aluminum in certain types of safety equipment have been eased by WPB. Primary or secondary aluminum may be used for protective safety hats, machine guards, hazard measuring devices, inhalators and resuscitators, oxygen breathing apparatus, reducing valve housing, masks and hoods.

The Reclamation and Inventory Branch of the Aluminum and Magnesium Division of WPB is working on a plan to stockpile secondary aluminum ingots to assure the continuation of the segregation of aluminum scrap. Without a ready outlet for ingots, it is claimed, the flow of material might be disrupted. Tentative plans call for the sale of secondary aluminum ingot to Metals Reserve, under contract, at about 1¢. per pound below the prevailing market price. Pure and silicon ingot, delivered, is now bringing 11¢ per pound, or 3¢ below the ceiling level.

WPB has halted construction at the Hammond, Ind., aluminum fabricating plant of Phelps Dodge Copper Products Corp., owing to a downward revision in the Army's needs. Two shutdowns in aluminum units were announced earlier in the month.

Tin

Consumers look for no important change in the tin situation in the early months of next year. A fair increase in supplies in 1943 resulted from larger receipts of tin from the Belgian Congo, and a further gain in the movement of metal from that source is anticipated. Whether Bolivia will ship tin concentrates to this country at the 1943 rate without benefit of a higher price is questionable.

The market here was unchanged last week. Straits quality tin for shipment, in cents per pound:

	Dec.	Jan.	Feb.
Nov. 18	52.000	52.000	52.000
Nov. 19	52.000	52.000	52.000
Nov. 20	52.000	52.000	52.000
Nov. 22	52.000	52.000	52.000
Nov. 23	52.000	52.000	52.000
Nov. 24	52.000	52.000	52.000

Chinese, or 99% tin, continues at 51.125¢ a pound.

Platinum

Anticipating increased requirements and decreased supplies of platinum in 1944, the WPB ruled last week that platinum scrap may not be held in excess of the amount produced in 30 days. In addition, the revised regulations, contained in an amendment to Conservation Order M-162, provide that no processor or consumer may have an inventory in excess of final product deliveries during a 60-day period.

The supply situation in platinum and platinum metals was reviewed at a recent meeting of the advisory committee and officials of WPB, and it was agreed that additional controls would be necessary in view of the supply-demand picture.

Quicksilver

The undertone of the market for quicksilver has been easier for some time, but prices have not reflected this condition, owing to uncertainty in regard to the Government's program for cutting back the production program. As matters stand, WPB has asked that purchases for 1944 be reduced by 30%. During the last week the price in the open market in New York became established at $192 - $194 per flask, a reduction of $3. On first-quarter 1944 business prices might have been shaded.

Silver

Though consumption of silver continues at a high level, tension in the market has eased. The fact that war demands have not been as large as first estimated has been a factor in removing much of the nervousness among sellers that was so apparent earlier in the year.

The London price continued at 23½d. The New York Official for foreign silver held at 44¾¢ an ounce, with domestic at 70⅝¢.

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Wolfe Heads Pennsylvania War Finance Group

O. Howard Wolfe, Vice-President of the Philadelphia National Bank, has been appointed Executive Manager of the Pennsylvania War Finance Committee. Mr. Wolfe, who has been on leave from his banking post since February, 1942, was released as administrative officer of the Philadelphia Army District in order to assume the Treasury Department post.

Transfer Envoy To Finns

The State Department in Washington announced on Nov. 17 the transfer of Robert T. McClintock, Secretary and Charge d'Affaires of the American Legation in Helsinki, Finland, to Stockholm, Sweden. Mr. McClintock who had been in Finland four years, is being replaced by George West, at present Third Secretary at Stockholm. The transfers were said to be routine.

Revenue Freight Car Loadings During Week Ended Nov. 20, 1943 Increased 34,604 Cars

Loading of revenue freight for the week ended Nov. 20, 1943, totaled 882,287 cars, the Association of American Railroads announced. This was an increase above the corresponding week of 1942 of 45,525 cars, or 5.4%, and an increase over the same week in 1941 of 82,901 cars or 10.4%.

Loading of revenue freight for the week of Nov. 20, increased 34,604 cars, or 4.1% above the preceding week.

Miscellaneous freight loading totaled 400,045 cars, an increase of 6,418 cars above the preceding week, and an increase of 2,828 cars above the corresponding week in 1942.

Loading of merchandise less than carload lot freight totaled 106,346 cars, a decrease of 974 cars below the preceding week, but an increase of 14,784 cars above the corresponding week in 1942.

Coal loading amounted to 188,273 cars, an increase of 21,140 cars above the preceding week, and an increase of 20,837 cars above the corresponding week in 1942.

Grain and grain products loading totaled 55,055 cars, an increase of 3,060 cars above the preceding week, and an increase of 9,297 cars above the corresponding week in 1942. In the Western Districts alone, grain and grain products loading for the week of Nov. 20, totaled 35,481 cars, an increase of 1,704 cars above the preceding week and an increase of 4,780 cars above the corresponding week in 1942.

Live stock loading amounted to 22,397 cars, a decrease of 3,760 cars below the preceding week, but an increase of 2,691 cars above the corresponding week in 1942. In the Western Districts alone loading of live stock for the week of Nov. 20 totaled 17,616 cars, a decrease of 3,221 cars below the preceding week, but an increase of 2,046 cars above the corresponding week in 1942.

Forest products loading totaled 45,883 cars, an increase of 2,905 cars above the preceding week and an increase of 3,686 cars above the corresponding week in 1942.

Ore loading amounted to 49,070 cars, an increase of 4,795 cars above the preceding week but a decrease of 9,341 cars below the corresponding week in 1942.

Coke loading amounted to 15,218 cars, an increase of 1,020 cars above the preceding week, and an increase of 743 cars above the corresponding week in 1942.

All districts reported increases compared with the corresponding weeks in 1942 and 1941, except the Northwestern.

	1943	1942	1941
5 weeks of January	3,530,849	3,858,479	3,454,409
4 weeks of February	3,055,640	3,122,942	2,866,565
4 weeks of March	3,073,426	3,174,781	3,066,011
4 weeks of April	3,136,253	3,350,996	2,793,630
5 weeks of May	4,149,708	4,170,548	4,160,060
4 weeks of June	3,151,146	3,385,655	3,510.057
5 weeks of July	4,307,406	4,185,135	4,295,457
4 weeks of August	3,554,446	3,487,905	3,581,350
4 weeks of September	3,545,823	3,503,383	3,540,210
5 weeks of October	4,518,244	4,511,609	4,553,007
Week of November 6	754,724	829,663	873,582
Week of November 13	847,683	826,695	883,890
Week of November 20	882,287	836,762	799,386
Total	38,507,635	39,244,553	38,377,614

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Nov. 20, 1943. During this period 84 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS)—WEEK ENDED NOV. 20

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1943	1942	1941	1943	1942
Eastern District—					
Ann Arbor	254	469	583	1,477	1,167
Bangor & Aroostook	2,541	1,658	1,433	260	191
Boston & Maine	6,951	6,020	7,653	*15,159	13,557
Chicago, Indianapolis & Louisville	1,269	1,529	1,726	2,178	2,053
Central Indiana	41	23	17	47	44
Central Vermont	1,125	958	1,411	2,654	2,157
Delaware & Hudson	6,184	6,104	4,991	11,700	11,107
Delaware, Lackawanna & Western	7,926	7,003	8,035	10,827	10,591
Detroit & Mackinac	244	433	364	117	139
Detroit, Toledo & Ironton	2,279	1,574	2,387	1,354	1,279
Detroit & Toledo Shore Line	269	253	327	2,586	2,762
Erie	13,017	11,822	13,292	19,795	15,954
Grand Trunk Western	3,389	4,160	5,323	7,328	6,881
Lehigh & Hudson River	228	254	215	2,543	2,932
Lehigh & New England	2,061	2,058	1,961	1,332	1,798
Lehigh Valley	8,465	8,267	8,689	13,704	12,949
Maine Central	2,319	2,230	2,941	3,808	3,160
Monongahela	6,099	5,917	2,406	429	456
Montour	2,596	2,306	1,664	22	29
New York Central Lines	53,614	45,755	47,927	56,382	54,888
N. Y., N. H. & Hartford	10,549	9,110	10,682	20,161	18,282
New York, Ontario & Western	1,394	973	1,000	2,589	2,476
New York, Chicago & St. Louis	7,008	7,338	6,678	16,135	15,691
N. Y., Susquehanna & Western	671	456	451	1,779	1,955
Pittsburgh & Lake Erie	7,654	7,088	7,588	7,542	8,514
Pere Marquette	5,125	5,908	6,442	7,886	6,656
Pittsburg & Shawmut	903	760	877	6	14
Pittsburg, Shawmut & North	354	355	380	304	261
Pittsburgh & West Virginia	1,203	869	982	2,587	2,692
Rutland	366	291	571	1,087	814
Wabash	6,780	5,673	6,073	11,956	13,305
Wheeling & Lake Erie	4,519	4,572	4,810	4,498	4,267
Total	167,397	152,195	159,879	230,237	219,021
Allegheny District—					
Akron, Canton & Youngstown	769	728	615	1,350	1,162
Baltimore & Ohio	47,043	38,176	36,135	32,037	28,108
Bessemer & Lake Erie	4,832	5,731	5,036	1,735	2,271
Buffalo Creek & Gauley	404	327	284	3	3
Cambria & Indiana	1,775	1,787	848	8	5
Central R. R. of New Jersey	7,557	7,017	7,179	21,028	20,449
Cornwall	635	746	657	57	41
Cumberland & Pennsylvania	238	217	123	19	15
Ligonier Valley	154	123	134	45	38
Long Island	1,360	1,060	730	3,480	3,330
Penn-Reading Seashore Lines	1,991	1,787	1,704	3,062	2,124
Pennsylvania System	86,280	78,344	79,675	67,116	66,884
Reading Co.	15,717	15,047	16,041	27,952	27,806
Union (Pittsburgh)	20,028	20,807	19,746	6,318	7,172
Western Maryland	4,993	3,669	3,860	11,633	12,098
Total	193,776	175,566	172,767	175,843	171,506
Pocahontas District—					
Chesapeake & Ohio	30,708	27,373	18,734	15,545	13,087
Norfolk & Western	23,569	21,857	18,368	7,057	6,617
Virginian	4,859	4,796	2,896	2,672	2,153
Total	59,136	54,026	39,998	25,274	21,857
Southern District—					
Alabama, Tennessee & Northern	325	305	337	304	253
Atl. & W. P.—W. R. R. of Ala.	702	748	868	3,434	2,680
Atlanta, Birmingham & Coast	707	728	761	1,338	1,375
Atlantic Coast Line	13,440	13,507	11,468	11,440	11,203
Central of Georgia	3,861	3,759	4,661	4,805	4,906
Charleston & Western Carolina	412	413	443	1,820	1,452
Clinchfield	1,752	1,852	1,829	1,794	2,875
Columbus & Greenville	311	445	330	260	401
Durham & Southern	130	119	161	640	529
Florida East Coast	1,968	1,270	793	1,375	1,400
Gainesville Midland	41	40	40	114	106
Georgia	1,182	1,441	1,439	3,640	2,372
Georgia & Florida	468	310	512	764	473
Gulf, Mobile & Ohio	4,504	4,318	4,242	4,475	4,861
Illinois Central System	29,559	28,975	27,630	17,203	16,509
Louisville & Nashville	26,302	25,260	23,178	12,885	11,922
Macon, Dublin & Savannah	197	227	229	859	820
Mississippi Central	297	165	154	502	583
Nashville, Chattanooga & St. L.	3,475	4,354	3,829	5,346	4,470
Norfolk Southern	1,117	1,243	1,009	1,764	1,807
Piedmont Northern	376	320	470	1,189	1,269
Richmond, Fred. & Potomac	387	480	414	11,740	10,260
Seaboard Air Line	11,016	11,162	10,676	10,144	8,922
Southern System	23,336	23,508	23,617	24,034	24,727
Tennessee Central	602	523	551	1,054	941
Winston-Salem Southbound	138	119	138	938	927
Total	126,605	125,591	119,779	124,861	118,048
Northwestern District—					
Chicago & North Western	17,636	17,952	18,308	14,517	12,696
Chicago Great Western	3,010	2,173	2,625	3,584	3,285
Chicago, Milw., St. P. & Pac.	22,289	19,854	20,748	10,019	10,066
Chicago, St. Paul, Minn. & Omaha	3,669	3,237	3,786	3,777	3,616
Duluth, Missabe & Iron Range	17,863	22,321	21,249	215	377
Duluth, South Shore & Atlantic	482	695	780	502	546
Elgin, Joliet & Eastern	8,723	9,539	9,929	12,192	9,839
Ft. Dodge, Des Moines & South	420	405	598	77	122
Great Northern	15,591	18,703	17,227	4,970	5,258
Green Bay & Western	585	480	542	904	742
Lake Superior & Ishpeming	1,063	2,424	2,819	36	41
Minneapolis & St. Louis	2,378	2,240	1,743	2,459	2,214
Minn., St. Paul & S. S. M.	6,806	5,875	6,041	2,914	2,873
Northern Pacific	11,890	12,282	11,197	5,676	5,276
Spokane International	168	148	86	498	732
Spokane, Portland & Seattle	2,548	1,981	2,056	3,477	3,002
Total	115,121	120,309	119.734	65,817	60,685
Central Western District—					
Atch., Top. & Santa Fe System	24,294	23,918	22,624	12,579	12,869
Alton	3,508	3,371	3,396	3,731	5,452
Bingham & Garfield	504	493	670	82	121
Chicago, Burlington & Quincy	22,287	21,558	19,312	13,098	12,001
Chicago & Illinois Midland	3,302	2,614	2,622	854	713
Chicago, Rock Island & Pacific	13,002	12,716	12,333	11,830	12,173
Chicago & Eastern Illinois	3,032	2,550	3,050	7,119	3,903
Colorado & Southern	1,193	1,268	1,385	2,393	1,991
Denver & Rio Grande Western	5,156	4,551	4,183	6,451	5,219
Denver & Salt Lake	662	847	758	22	9
Fort Worth & Denver City	982	1,502	1,468	1,636	1,464
Illinois Terminal	1,993	1,684	1,947	2,051	1,396
Missouri-Illinois	1,199	1,228	1,071	452	582
Nevada Northern	2,244	2,150	1,856	139	83
North Western Pacific	939	867	893	814	574
Peoria & Pekin Union	12	22	39	0	0
Southern Pacific (Pacific)	30,738	26,933	25,982	15,618	12,259
Toledo, Peoria & Western	408	339	416	1,691	1,712
Union Pacific System	20,448	19,772	18,433	18,536	15,519
Utah	708	575	460	8	4
Western Pacific	2,618	1,690	2,314	4,368	2,644
Total	139,229	130,648	125,217	104,472	90,688
Southwestern District—					
Burlington-Rock Island	350	204	182	139	285
Gulf Coast Lines	7,516	5,364	3,798	2,847	2,591
International-Great Northern	2,325	3,712	1,849	3,966	2,869
Kansas, Oklahoma & Gulf	244	434	248	1,147	1,345
Kansas City Southern	5,478	5,138	2,710	2,839	2,625
Louisiana & Arkansas	3,711	3,765	2,637	3,160	2,671
Litchfield & Madison	349	260	335	1,286	1,068
Midland Valley	602	689	767	294	338
Missouri & Arkansas	181	203	177	478	419
Missouri-Kansas-Texas Lines	6,436	6,655	4,780	5,975	5,551
Missouri Pacific	19,385	18,807	17,705	21,642	19,729
Quanah Acme & Pacific	103	100	162	163	336
St. Louis-San Francisco	9,433	9,489	9,434	8,908	9,000
St. Louis Southwestern	3,469	3,308	3,056	7,240	5,520
Texas & New Orleans	14,788	14,225	8,368	5,196	4,711
Texas & Pacific	6,546	5,941	5,639	8,015	8,450
Wichita Falls & Southern	84	107	134	51	39
Weatherford M. W. & N. W.	23	28	31	33	33
Total	81,023	78,427	62,012	73,379	67,580

*Previous week's figure.
Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1943—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
Aug. 7	177,541	146,515	600.338	94	93
Aug. 14	143,629	154,747	586,901	98	93
Aug. 21	133,446	150,012	568,361	95	93
Aug. 28	148,381	147,494	570,859	96	93
Sept. 4	177,766	150,943	598,255	97	93
Sept. 11	121,125	126,427	589,323	83	93
Sept. 18	153,708	157,082	583,714	98	93
Sept. 25	144,100	151,725	558,633	96	93
Oct. 2	164,954	152,479	579,800	97	93
Oct. 9	156,808	148,574	589,417	94	93
Oct. 16	156,044	148,293	595,257	95	93
Oct. 23	144,254	147,883	588,399	94	93
Oct. 30	144,413	143,686	587,324	93	93
Nov. 6	172,441	147,467	608,782	93	93
Nov. 13	153,126	149,295	608,893	95	93
Nov. 20	126,726	146,286	587,715	94	93

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Fuel Oil Unit Unchanged

Rations of fuel oil throughout the 33-state rationed area will remain unchanged at 10 gallons per unit for Period 2, which began Nov. 30. Chester Bowles, Administrator of the Office of Price Administration, also announced that Period 3 coupons, which also went into effect on Nov. 30 in the Midwestern and Southern States under fuel oil rationing, have been similarly given a 10 gallon unit value.

The announcement further went on to say:

"The ten gallon 'par' value was continued by OPA after consultation with the Office of Civilian Requirements and the Petroleum Administration for War. It means that supplies are available in sufficient quantity to meet the ration demand and therefore no reduction is necessary. However, the oil supply for civilians has not improved to an extent where an increase in the value of the coupons can be made.

The coupons, the value of which was set on Nov. 26, are those numbered "2" and "3" on the Class 4, 5 and 6 coupon sheets used by consumers. Class 4 coupons, used mostly by small householders for heat and hot water will continue to have a value of 10 gallons each, while class 5 coupons, used by larger consumers will be valid at 50 gallons each. Each class 6 coupon, given to volume users of oil for apartments and commercial establishments, will continue to be worth 250 gallons.

Although Period 2 and Period 3 (for the midwest and south) coupons went into effect on Nov. 30, coupons for the first heating period, which became valid last July, may be used until Jan. 4 to buy fuel oil.

The second heating period extends from Nov. 30 to Feb. 8 for all States in the rationed area except the south where it ends on Jan. 25. Period 3 begins Jan. 4 in the Eastern and far Western area and extends until March 14. In the Midwest, Period 3, which starts on Nov. 30 also ends on March 14, while in the South it ends on Feb. 22.

The overlapping of the heating periods, allowing the coupons for each period to remain valid throughout the entire succeeding period was set up to eliminate many of the small delivery problems encountered by the industry last year.

In addition to the "period" coupons which are assigned gallonage values periodically on the basis of supplies of fuel oil available, the rationing plan in effect this winter provides the householders with definite value coupons valid throughout the year. These coupons, called "change-makers" and "inventory reserve coupons", represent a sizable portion of the consumers' total ration this year.

Lumber Movement—Week Ended November 20, 1943

According to the National Lumber Manufacturers Association, lumber shipments of 477 mills reporting to the National Lumber Trade Barometer were 4.5% below production for the week ended Nov. 20, 1943. In the same week new orders of these mills were 3.0% less than production. Unfilled order files in the reporting mills amounted to 95% of stocks. For reporting softwood mills, unfilled orders are equivalent to 38 days' production at the current rate, and gross stocks are equivalent to 37 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 7.5%; orders by 8.3%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 32.9% greater; shipments were 39.6% greater; and orders were 38.2% greater.

Items About Banks, Trust Companies

Stockholders of The Continental Bank & Trust Co. of New York, at a meeting held on Nov. 23, ratified the action of the board of directors in the adoption of a retirement and insurance plan for all the employees of the bank with six months or more of service, it was announced by Frederick E. Hasler, Chairman of the Board.

"The plan, which was formulated by a committee of the board of directors, is a unique correlation of a group annuity contract in the Equitable Life Assurance Society of the United States and a pension trust embodying level-premium life insurance and annuity contracts in the Guardian Life Insurance Co. of America," Mr. Hasler explained.

In their study of the broad social and economic aspects of the plan, the committee had as consultants the bank's attorneys, Wise, Shepard, Houghton & Kelly; the bank's insurance brokers, Hagedorn & Company, and James Elton Bragg, manager of the Doremus-Bragg Agency of the Guardian Life, and formerly Professor of Life Insurance at New York University. The plan supplements the benefits which Continental employees will receive from the present group life insurance which is prvoided by the bank and the retirement incomes which they will receive under the Social Security Act.

Dwight L. Chamberlain, First Vice-President of the First National Bank and Trust Co., New Haven, Conn., will become President of the institution on Jan. 1, succeeding Thomas M. Steele, who will become Chairman of the Board. Mr. Steele, who has served as President of the bank since 1924, will continue to be actively associated with the organization. Mr. Chamberlain has been connected with the First National since 1918 and has been First Vice-President and a director since 1923.

The following concerning the executives was reported in the New Haven "Evening Register" of Nov. 26:

"Both new and retiring Presidents are prominent in banking circles and they also have been active in community and civic affairs for many years. Mr. Steele is a member of the Executive Council of the American Bankers Association and also a member of its Federal Legislative Committee. For nine years he represented the First Federal Reserve District on the Federal Advisory Council and was President of the Connecticut Bankers Association in 1940.

"Mr. Chamberlain is Vice-President and a member of the executive committee of the National Bank Division of the Connecticut Bankers Association. During the 1932-1933 banking crisis, he was one of two representatives of this area passing on all loan applications from banks to the Reconstruction Finance Corporation. He is a former member of the committee on economics of the national bank loan officers' association known as the Robert Morris Associates.

"Governor Baldwin recently appointed Mr. Chamberlain a member of the State of Connecticut Public Welfare Council. He is a Vice-President of the New Haven Chamber of Commerce and a former Vice-President of the Connecticut Chamber of Commerce."

The election of Harvey M. Roberts as President of the Second National Bank, Orange, N. J., was recently announced. Mr. Roberts, who was Vice-President and Cashier, succeeds the later Wilbur Munn.

Charles E. Coates, Assistant Treasurer and Assistant Secretary of the Colonial Trust Co. of Pittsburgh, has been elected President of the Bankers and Bank Clerks Mutual Benefit Association. Mr. Coates succeeds Robert L. Finleyson of the Monongahela Trust Co., Homestead, Pa.

At a meeting of the board of directors of the Continental Illinois National Bank & Trust Co. of Chicago, held on Nov. 24, a special meeting of the shareholders of the bank was called for Dec. 17, for the purpose of acting on a resolution increasing the capital of the bank from $50,000,000 to $60,000,000 by the declaration of a stock dividend of 20% of the present capital. Each shareholder would receive one additional share of stock for each five shares held. The bank's announcement states:

"When cash dividends are hereafter declared, they will be payable on the increased stock, and it is contemplated that the present rate of dividend per share will be continued. The bank has been paying semi-annual dividends of $2 a share.

"It is contemplated, also, to increase the surplus account from $50,000,000 to $60,000,000, so that if the capital is increased, there will be $60,000,000 of capital stock and $60,000,000 of surplus.

"The increases would be effected by transfers from undivided profits.

"A two-thirds vote is necessary to increase the bank's capital and, after authorization of the proposed increase, there would be 1,800,000 shares outstanding, compared with 1,500,000 shares at present. Par value of the stock is $33⅓ per share."

George Stuart, retired Chicago investment banker, died on Nov. 19 in the Wesley Memorial Hospital, Chicago. He was 100 years old. Mr. Stuart engaged in business with N. W. Halsey & Co., which later became Halsey, Stuart & Co. His two surviving sons, Harold L. and Charles B. Stuart, are President and Vice-President, respectively, of Halsey, Stuart & Co., Inc.

Stockholders of the National Boulevard Bank of Chicago will vote on Dec. 14 on a plan for the distribution of a 50% dividend payable in stock. Under the plan, capital is to be increased from $500,000 to $750,000, surplus from $500,000 to $600,000 and undivided profits from $50,000 to $100,000.

James L. Paxton, Jr., was elected a director of the Live Stock National Bank, Omaha, Neb., on Nov. 23. Mr. Paxton, who is 35 years old, is one of the youngest bank directors in Omaha Mr. Paxton became President of Paxton-Mitchell Co. in 1937, succeeding his father, who had been superintendent of the Union Stock Yards company in Omaha. In January of this year he was awarded the Junior Chamber of Commerce distinguished servcie key, offered to the young man adjudged to have contributed most to Omaha civic development and community welfare during 1942. Mr. Paxton was President of the Omaha Manufacturers' Association in 1942, and is a Vice-President of the Associated Industries of Nebraska, a director of the National Security Insurance Company, and a member of the executive committee of the Omaha Chamber of Commerce's post-war planning committee.

Sale of the controlling stock interest in the Second National Bank of Houston was recently made to a group of Houston's outstanding businessmen and financial interests for approximately $2,000,000. This is learned from the Houston "Press" of Nov. 20, which states that the controlling stock was sold by the estate of the late J. W. Neal and by Mrs. Neal to a group headed by Col. W. B. Bates, member of the law firm of Fulbright, Crooker, Freeman & Bates. In announcing the transaction, George M. Irving, Vice-President and Trust Officer of the bank, said that no changes in personnel or policies of the institution are contemplated. The Houston "Press" states:

Along with Colonel Bates, the group includes:

Benjamin Clayton, well known Houston capitalist and philanthropist, former member of Anderson, Clayton & Co., world's largest cotton merchants and one of its organizers.

Glenn H. McCarthy, independent oil operator and producer who recently purchased the Shell Building in Houston.

Frank Champion, associate of Mr. McCarthy.

H. Roy Cullen, independent oil producer and philanthropist.

Earl H. Hankamer, independent oil operator.

John H. Freeman, attorney and member of Fulbright, Crooker, Freeman & Bates.

Kyle Morrow, executive of the Standard Rice Co.

R. W. Weir, prominent in lumber and financial circles in Houston.

Allyn R. Cline, Houston investment broker and President of Cline Mortgage & Trust Co.

C. A. Perlitz, Jr., attorney and executive assistant to George W. Strake, independent oil operator.

Carr P. Collins, Dallas business man and President of the Fidelity Union Insurance Co. of Dallas.

M. D. Anderson Foundation, the Clayton Foundation for Research and others.

According to the last published statement, The Second National Bank of Houston has a capital stock of $1,000,000, surplus of $1,000,000 with deposits of more than $68,000,000 and total resources in excess of $72,000,000.

Beverly D. Harris has been President of the bank since 1932. L. R. Bryan, Jr., is Executive Vice-President.

The transaction paves the way for an expansion of Second National's activities, Col. W. B. Bates, spokesman for the purchasing group, said. The stock just sold was acquired by the late J. W. Neal in 1928. He held the stock until his death in 1940 and it has since been in a trust created by his will.

Report British Reject Plea To Relax Blockage

The Churchill Government according to London Associated Press accounts turned down suggestions on Nov. 10 that it relax the blockade and send food to German-occupied Europe, asserting that such an action would lead the Germans to create more starvation and shortages. The advices from which we quote added:

Dingle M. Foot, parliamentary secretary of the British Ministry of Economic Warfare, declared in the House of Commons that the British Government had no intention of repeating the Herbert Hoover plan of the last war, when food was shipped to Belgium.

"We know by experience that the Germans would not hesitate to create more starvation and shortages if such a program were followed now," Mr. Foot said. He added that the British did not propose to lay themselves "open to this particular form of German blackmail."

While conceding that there were great hardships and suffering in occupied Europe, the secretary said the impression that the "whole of occupied Europe is in a condition of famine is entirely misleading."

The Nazis, he said, could not afford to create starvation in countries where they have to garrison troops and from which they want production and labor.

Brazil Offers Debt Settlement Plan For Dollar And Sterling Bonds

The Foreign Bondholders Protective Council, Inc., New York City, issued on Nov. 26 the following statement with respect to Brazil's new plan for servicing its outstanding dollar and sterling bonds:

"After discussions with the Foreign Bondholders Protective Council, Inc., and the British Council of Foreign Bondholders, the Brazilian Government has issued Decree Law No. 6019, dated Nov. 23, 1943, providing for the service of its $837,662,000 outstanding dollar and sterling bonds, of which $286,036,000, or 34.2%, are dollar issues.

"The present offer of adjustment is the result of more than two months of negotiations by Robert E. McCormick and Lee Orton, whom the Foreign Bondholders Protective Council, Inc., sent to Rio de Janeiro for this purpose. These representatives were able to obtain over-all for the dollar bondholders considerably better terms than were originally offered by the Brazilian Government. The Council feels that this offer is the maximum which could have been secured, and recommends it to the favorable consideration of the bondholders.

"Under the plan, which will become effective Jan. 1, 1944, the bondholders are offered the choice of two plans of settlement, described as Option 'A' and Option 'B.' Each bondholder has the right to elect one or the other of these two options during the period Jan. 1, 1944 to Dec. 31, 1944.

"Under Option 'A' the face value of the bond is maintained, but the interest rates are reduced to new fixed amounts, varying on the dollar bonds from 3⅜% to 3½% on the Federal secured, funding, and Sao Paulo Realization issues; from 2% to 2½% on States of Mines Geraes, Rio Grande do Sul, and Sao Paulo issues; and from 1⅞% to 2⅜% on the other State and municipal issues. The responsibility for service under this option remains with the original obligor.

"Under Option 'B' there is a reduction of 20% of the face amount of the bond in the case of the Federal secured, funding, and Sao Paulo Realization issues, and a reduction of 50% in the case of the State and municipal issues. Interest on the remaining face amount will be paid at a uniform rate of 3¾% to compensate for the reduction in principal and interest rates, and the holders will receive cash payments in varying amounts. The Brazilian Government makes itself responsible under this option for service of State and municipal bonds.

"The Decree Law provides that holders failing to elect an option within the period established for acceptance 'will be automatically included in plan A.'

"Under both options, bonds will be retired through cumulative amortiaztion funds which will be used for purchase of bonds when quoted below par and for drawings at face value when at par or above. Under Option 'A' the total annual service of interest and amortization for each debtor will be constant until final redemption, and it is understood the amortization during the first year will amount to 45.5% of the reduced annual interest payments on the Federal secured, funding, and Sao Paulo Realization issues, and to 35.5% on the State and municipal issues. Under Option 'B' the total annual service of interest and amortization will be constant until final liquidation of all bonds included under the plan, and it is understood that amortization during the first year will amount to 2.65% of the new principal amount of the bonds.

"In payment of arrears of interest, the Brazilian Government offers 10% of the percentages offered during the last year of Decree Law 2085 with respect to coupons due before April 1, 1934, and 25% of the percentages offered during the last year of Decree Law 2085 with respect to coupons which had not become payable under Decree Law 2085 up to and including Dec. 31, 1943.

"The new plan makes no provision for the service of the bonds of the State of Ceara or the sterling bonds formerly classified in Grade VIII, but does provide for their retirement, the Brazilian Government offering to purchase these bonds at 12% of their face amount, all coupons thereon being cancelled. The Council, in line with its general practice not to give advice regarding the purchase or sale of bonds, makes no recommendation as to the acceptance of this offer on the Ceara bonds.

"In general both Option 'A' and Option 'B' represent a substantial improvement over the service which the Brazilian Government has been offering in the past few years. It also apportions more equitably the funds available for service, an objective for which the Council has been contending since Brazil's first temporary plan of service was worked out in 1934."

Secretary of State Cordell Hull, in a statement issued Nov. 25, said the bond settlement was "a manifestation of Brazil's earnest desire to meet its foreign obligations within the limits of its capacity."

The Secretary's statement further said, according to the Associated Press:

"This Government is extremely gratified that an arrangement of this far-reaching definitive nature has been reached between the Brazilian authorities and the representatives of the United States and British bondholders.

"The breadth of vision and the spirit which have characterized these negotiations are further testimony of the friendship and understanding between the Brazilian and American peoples."

New Wheat Flour Subsidy Announced

As part of the Administration's general plan for holding the-line on the cost of living, Fred M. Vinson, Economic Stabilization Director, announced on Nov. 18 a subsidy program for wheat flour millers. The plan, estimated to cost about $9,000,000 monthly would, it is stated enable wheat flour millers to pay as high as parity prices for wheat and at the same time continue to sell flour for no more than the ceiling prices.

The program will be financed by the Reconstruction Finance Corporation, with its subsidiary, the Defense Supplies Corporation administering.

The Office of Economic Stabilization said the subsidy was necessary because of the "squeeze" resulting from increasing wheat prices and the permitted flour and bread price ceilings. Without this government aid it was said the cost-of-living would be affected through higher prices to consumers for both bread and family flour.

To complement this program, the Office of Price Administration is said to be planning a price ceiling for all wheat reflecting 100% of parity. A ceiling on soft wheat in the Eastern States was recently put into effect.